Panera Bread Company

2015 Annual Report to Stockholders

April 15, 2016

Dear Stockholder,

2015 was a transformative year for Panera. The leading indicators of our strategy to generate sustained earnings expansion by making Panera a better competitive alternative with expanded runways for growth showed real traction. Our efforts resulted in same-store sales and transaction growth that expanded throughout the year, even as others in the restaurant industry struggled. In the fourth quarter, our same-store sales growth outperformed the industry by 345 basis points, when measured against the Black Box all-industry composite. That's the biggest spread we've seen in three years and a true indication of the impact of our initiatives. As we continue our work to once again redefine the restaurant industry and set Panera on a path of industry-leading performance, one thing is becoming clear: Our strategy is working.

WHERE WE'VE BEEN

2012

Five years ago, we conceived a vision for an enhanced customer experience enabled by technology. Our primary goal at that time was to reduce guest friction within our cafes. In 2012, we created a prototype inclusive of both digital access and improved operational processes called Panera 2.0. We began testing it a year later.

2013

In 2013, we focused on building the e-commerce and technology capabilities necessary to fulfill our vision and began taking steps to expand our business into adjacent $1 billion categories, like large-order delivery (catering), small-order delivery and consumer products. We recognized that many of these businesses could take advantage of our e-commerce capabilities and all represented large opportunities for Panera.

2014

By early 2014, we recognized the need to rethink how we were driving customers into our cafes. With more competitors vying for the same customers as Panera, we decided to refine our positioning in the marketplace. After a year of research and reflection by our senior team, we reconceived our brand mission as one of offering craveable wellness and an elevated experience. We also began rolling out Panera 2.0 to select markets.

2015

In 2015, we converted an additional 300 cafes to Panera 2.0, reaching about half the company system with about 400 total cafes converted by year-end. Our Panera 2.0 cafes continued to outperform our traditional cafes, confirming our success in improving the customer experience and increasing guest frequency. In addition, Rapid Pick-Up, an element that debuted as part of Panera 2.0 and was rolled out system-wide in 2014, grew to over 6% of company sales in 2015.

Our focus on operations also paid off in 2015, with guest satisfaction scores rising materially year over year.

We also worked to bring our refined brand positioning to life with innovative menu items intended to drive brand reputation, category credibility and product excitement. To that end, we introduced culinary successes, like our very popular clean Roasted Turkey, Apple and Cheddar Sandwich and our Ancient Grain, Arugula and Chicken Salad.

With the release of our No No List in May 2015, Panera became a reference brand for clean food and set off a race among other restaurant companies trying to catch up. Within weeks of our announcement, Noodles & Company, Papa John's, Subway, Taco Bell and others also claimed they were embracing clean food on some scale. To the best of our knowledge, few are moving as aggressively as Panera. By the end of 2015, we had removed all artificial colors, flavors, sweeteners and preservatives from more than 90% of our food items. We

also issued our first Responsibility Report, reaffirming our commitment to transparency and to making a positive difference in the food supply.

Last June, we debuted our "Food as it should be" marketing campaign, launching a powerful communications platform that captures the warmth and humanity that is core to the Panera brand and makes a clear and unequivocal statement about what we stand for regarding food. The campaign resonated with consumers and allowed us to unify our message across paid, earned and owned marketing channels.

Our MyPanera loyalty program continued to be a significant strategic asset in 2015. With more than 21 million members and about 50% of company transactions occurring on MyPanera cards, MyPanera is likely the largest loyalty program in the restaurant industry.

Our initiatives to expand growth also gained traction in 2015. Catering sales grew 14% in the fourth quarter of 2015, the best quarterly sales growth in catering that we've seen for several years. As well, we expanded tests of small-order delivery into new markets, where we generated notable volumes, underscoring delivery's potential for significant long-term sales and earnings growth. And we grew our Panera at Home business 20% year over year in 2015.

In addition, I'd like to note the progress we have made building our human capabilities in 2015 with the appointments of several senior leaders, including our president Drew Madsen. Never before has Panera had so much depth and breadth on its bench. The talent, dedication and energy now fueling Panera is already serving us well and will continue to for years to come.

WHERE WE'RE GOING

Certainly, we've made a lot of progress, but we are also clear that we still have a way to go. For the next few years we will remain focused on these objectives:

- Improving Panera's competitive position;
- Expanding our growth opportunities;
- Building the capabilities to improve our competitive position and expand growth;
- Maintaining our credibility through results

To accomplish our long-term objectives, we will focus on these Key Initiatives in 2016:

Panera 2.0

Panera 2.0 is materially improving same-store sales, especially as converted cafes mature and teams and guests adjust to our 2.0 systems. In addition, our execution of Panera 2.0 is improving, so new conversions have shown improved results faster both in terms of sales and cost control, such as labor.

We plan to convert approximately 200 more company cafés to Panera 2.0 in 2016, completing constructive conversion of our company system and reaching all company cafes except those that are not constrained or are nearing lease expiration, relocation or remodel. All new cafes will continue to be constructed as Panera 2.0 cafes. In addition, we expect that approximately 75% of our franchise groups will begin to convert their cafes to Panera 2.0 in 2016. We expect to complete the conversion of about 100 franchise cafes by year-end.

Operational Integrity

Operational excellence lies at the heart of our efforts to make Panera a better competitive alternative. We remain focused on Operational Integrity, process disciplines inspired by Total Quality Management that ensure we have the foundational capabilities in place to deliver a better guest experience in our Panera 2.0 and traditional cafes. Our priorities include improved production capacity needed to meet peak-hour demand and manage high levels of customization efficiently and accurately.

Innovation in Food, Marketing and Design

We are continuing to incorporate our evolved mission of craveable wellness and an elevated experience into all menu items, marketing and store design initiatives to reinforce Panera's positioning, excite Panera's customers and further strengthen our core business.

In 2016, we plan to eliminate the few remaining preservatives, sweeteners, artificial flavors and artificial colors that remain in our food items as pledged in our Food Policy.

We also are building upon our successful "Food as it should be" marketing platform, with new traditional media flights expected to launch throughout the year along with creative digital and earned media initiatives.

We will continue to drive awareness and trial of new growth opportunities like Rapid Pick-Up, kiosks and catering through MyPanera, and also plan to enhance our one-on-one marketing efforts through the program.

And we expect store design to figure more prominently in our innovation efforts in 2016 as we work to further elevate the Panera experience. Throughout the year, we plan to introduce several store design packages to update and energize our cafes, ranging from a refresh to a remodel to a new café prototype.

Expanded Growth Opportunities
We are continuing to build new Panera cafes. In March, we celebrated a notable milestone – our 2,000th cafe – and approximately 100 cafes are slated to open across the system in 2016. We are also testing new café formats designed to expand Panera's reach into nontraditional locations.

Given the strong catering results we saw in 2015, we are increasingly confident we can consolidate market share in what is a highly fragmented category, and we will work to achieve of our goal of growing our catering business into a $1 billion business over time.

Our goal for Panera At Home, our consumer products division, is to build it into a business generating $1 billion in retail sales and over $300 million in wholesale revenues over time. In 2016, we will begin transitioning categories within our Panera at Home portfolio from a licensed model to a co-pack model in which we manage the customer.

Finally, we are particularly excited about our delivery initiative. Delivery was a hot topic in 2015, as restaurant brands rushed to stake a claim in the market. But while many companies view delivery as a modest play for those few customers seeking the ultimate in convenience without regard to price, we see it as a mass-market opportunity with high sales potential. Indeed, it is a prime example of our omni-channel strategy to leverage our brand credibility and e-commerce capabilities into new sales channels.

Since we view delivery differently, we are also tackling it differently. We have been testing delivery for several years now and plan to roll it out to most of our cafes over time – not just introduce it in a few select geographies. Our testing has confirmed that sandwiches and salads are highly desirable foods that travel well, and that the e-commerce and operational capabilities we've already built make delivery relatively easy to add into our café work streams.

In 2016, we expect to roll delivery out to about 10% of the system, or to 200 to 300 company and franchise cafes. While we expect delivery to contribute slightly to overall comp growth in 2016, we expect it to be neutral to very modestly profit negative this year because of startup, training and initial awareness-building costs. Longer term, we believe delivery can significantly contribute to both sales and profit growth.

Ensuring Necessary Capabilities
We know that to deliver on the promise of our strategic plan, we need to have in place the technological and human capabilities necessary to successfully execute the initiatives. To that end, we have worked for several years to build the e-commerce functionality and physical facilities, such as catering hubs, that we need to support our omni-channel strategy. While the nature of these investments requires us to incur costs before we see the benefits, we are increasingly confident in the wisdom of our decision to do so.

For instance, our goal has been to grow sales through customer-facing access points, such as the web, mobile devices and kiosks, and we are doing just that. By the end of 2015, digital utilization reached nearly 16% of total company sales, double the figure at the end of 2014. Meanwhile, digital utilization reached 23% of sales at 2.0 cafes.

Indeed, we were facilitating 120,000 digital transactions a day at the end of 2015, which we believe makes Panera one of the largest e-commerce operations in the restaurant industry outside of the big three pizza players. We have also evolved the speed, joy and stability of our digital and web apps. Our digital apps are now among the most stable in the industry and consistently score 4.5 out of five stars at the Apple Store. To continue this momentum, we have hired a talented team of digital leaders to execute our e-commerce strategy.

We also are working to attract and retain the café associates and managers with the will, skill and cultural values necessary to exceed our guests' expectations, build customer loyalty and drive sustained growth. Given the competitive marketplace for talent, we are increasing our investment in wages during 2016.

And we are investing in our cafes. Capacity upgrades are crucial to our strategy of enhancing Panera's competitive position and capturing the sales and profit potential of our initiatives.

Maintaining Credibility
We recognize that our strategic investments have been significant and that our ability to pursue our long-term goals depends on our ability to maintain confidence in our plan in the short term. We are focused on continuing to drive leading indicators that give us and our investors confidence in our plan. As well, we have found and are continuing to search for economies and value-enhancements to help fund our investments. Such intensive margin improvement efforts are intended to mitigate the trough associated with transformation even as we invest in improving the guest experience – all with the goal of delivering long-term shareholder value.

Closing Thoughts
I liken where we are in our journey of transformation to running the Boston Marathon. It's long and it's hard. Taking that metaphor further, I'd suggest we are now on Heartbreak Hill, the ultimate test of endurance. We are feeling good because we are running ahead of the race plan we set at the beginning of the journey. Yet we remain on guard as we are cognizant that potential challenges can still emerge along the way. Most importantly, we are fueled by the knowledge that our efforts will ultimately be worth it. Indeed, we know that as we continue to change the sales trajectory of our business and our investments crest, we are moving closer and closer to our objective – sustained earnings expansion.

As ever, I want to thank our investors for their support as we execute our long-term strategic vision; our board of directors for their wise counsel along the way; our franchise partners for their continued confidence in us; and our operators and support team members for powering us through an ambitious transformation effort. Each of you should know that I speak for the entire leadership team when I tell you we will honor your commitment by doing all in our power to create a future for Panera that leaves us all proud.

Sincerely,

Ron Shaich
Founder, Chairman and Chief Executive Officer

Matters discussed in this annual report to stockholders, including the preceding letter to our stockholders, and in our public disclosures, whether written or oral, relating to future events or our future performance, including any discussion, expressed or implied, regarding our intention to repurchase shares from time to time under the share repurchase program and the source of funding of such repurchases, our refranchising activities, our anticipated growth, operating results, future earnings per share, plans, objectives, and the impact of our investments in sales-building initiatives and operational capabilities on future sales and earnings, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the words "believe", "positioned", "estimate", "project", "plan", "goal", "target", "assumption", "continue", "intend", "expect", "future", "anticipate", and other similar expressions, whether in the negative or the affirmative, that are not statements of historical fact. These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict, and you should not place undue reliance on our forward-looking statements. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Risk Factors" in Item 1A of our enclosed Annual Report on Form 10-K and in our other public filings with the United States Securities and Exchange Commission, or SEC. All forward-looking statements and the internal projections and beliefs upon which we base our expectations included in this report or our filings with the SEC represent our estimates as of the date made and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we expressly disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 29, 2015

or

☐ **TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 0-19253

Panera Bread Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**04-2723701**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
3630 South Geyer Road, Suite 100, St. Louis, MO	**63127**
(Address of Principal Executive Offices)	*(Zip Code)*

(314) 984-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Class A Common Stock, $.0001 par value per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the registrant's voting common equity held by non-affiliates of the registrant, based on the last sale price of the registrant's Class A Common Stock at the close of business on June 30, 2015, was $2,725,304,483.

As of February 17, 2016, the registrant had 22,995,342 shares of Class A Common Stock ($.0001 par value per share) and 1,381,730 shares of Class B Common Stock ($.0001 par value per share) outstanding.

Part III of this Annual Report incorporates by reference certain information from the registrant's definitive proxy statement for the 2016 annual meeting of shareholders, which the registrant intends to file pursuant to Regulation 14A with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year end of December 29, 2015.

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Forward-Looking Statements

Matters discussed in this report and in our public disclosures, whether written or oral, relating to future events or our future performance, including any discussion, expressed or implied, regarding our intention to repurchase shares from time to time under the share repurchase program and the source of funding of such repurchases, our refranchising activities, our anticipated growth, operating results, future earnings per share, plans, objectives, and the impact of our investments in sales-building initiatives and operational capabilities on future sales and earnings, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the words "believe", "positioned", "estimate", "project", "plan", "goal", "target", "assumption", "continue", "intend", "expect", "future", "anticipate", and other similar expressions, whether in the negative or the affirmative, that are not statements of historical fact. These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict, and you should not place undue reliance on our forward-looking statements. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this report and in our other public filings with the United States Securities and Exchange Commission, or SEC. All forward-looking statements and the internal projections and beliefs upon which we base our expectations included in this report or other periodic reports represent our estimates as of the date made and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we expressly disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

ITEM 1. BUSINESS

General

Panera Bread Company and its subsidiaries, referred to as "Panera Bread," "Panera," the "Company," "we," "us," and "our," is a national bakery-cafe concept with 1,972 Company-owned and franchise-operated bakery-cafe locations in 46 states, the District of Columbia, and Ontario, Canada. We have grown from serving approximately 60 customers per day at our first bakery-cafe to currently serving nearly 8.3 million customers per week system-wide. We are currently one of the largest food service companies in the United States. We believe our success is based on our ability to create long-term concept differentiation. We operate under the Panera Bread®, Saint Louis Bread Co.® and Paradise Bakery & Café® trademark names.

Our bakery-cafes are located in urban, suburban, strip mall, and regional mall locations. We feature high-quality food in a warm, inviting, and comfortable environment. With our identity rooted in handcrafted artisan bread, we bake fresh bread every day. We are committed to providing great tasting, quality food that people can trust. In 2014, we formalized our Food Policy, which is an articulation of Panera's long held values that expresses a commitment to clean ingredients, transparency, and a positive impact on the food system. Our bakery-cafes have a menu highlighted by flavorful, wholesome offerings, including select proteins raised without antibiotics, grass-fed beef, whole grain bread, and select organic ingredients, with zero grams of artificial trans fat per serving. We strive to create new standards in everyday food choices, and our menu includes a wide variety of year-round favorites complemented by new items introduced seasonally. In neighborhoods across the United States and in Ontario, Canada, our customers are drawn to our warm and welcoming environment, which features comfortable gathering areas, relaxing decor, and free Internet access. Our bakery-cafes routinely donate bread and baked goods to community organizations in need.

We operate as three business segments: Company bakery-cafe operations, franchise operations, and fresh dough and other product operations. As of December 29, 2015, our Company bakery-cafe operations segment consisted of 901 Company-owned bakery-cafes and our franchise operations segment consisted of 1,071 franchise-operated bakery-cafes, located throughout the United States and in Ontario, Canada. As of December 29, 2015, our fresh dough and other product operations segment, which supplies fresh dough and other products daily to most Company-owned and franchise-operated bakery-cafes, consisted of 24 fresh dough facilities (22 Company-owned and two franchise-operated), located throughout the United States and one in Ontario, Canada. In the fiscal year ended December 29, 2015, or fiscal 2015, our revenues were $2,682 million, consisting of $2,359 million of Company-owned net bakery-cafe sales, $139 million of franchise royalties and fees, and $184 million of fresh dough and other product sales to franchisees. Franchise-operated net bakery-cafe sales, as reported by franchisees, were $2,478 million in fiscal 2015. See Note 19 to our consolidated financial statements for further segment information.

Our fiscal year ends on the last Tuesday in December. The fiscal years ended December 29, 2015 and December 30, 2014, or fiscal 2014, each had 52 weeks. The fiscal year ended December 31, 2013, or fiscal 2013, had 53 weeks with the fourth quarter comprising 14 weeks.

Concept and Strategy

Thirty years ago, at a time when quick service often meant low quality, Panera set out to challenge this expectation. We believed that food that was good and that you could feel good about, served in a warm and welcoming environment by people who cared, could bring out the best in all of us. To us, that is food as it should be and that is why we exist.

So we began with a simple commitment: to bake fresh bread from fresh dough in our bakery-cafes. No short cuts, just bakers with simple ingredients and hot ovens. Each night, any unsold bread and baked goods were shared with neighbors in need.

These traditions carry on today, as we have continued to find ways to be an ally to our guests. That means crafting a menu of soups, salads and sandwiches that we are proud to feed our families. Like poultry and pork raised without antibiotics on our salads and sandwiches. A commitment to transparency and options that empower our guests to eat the way they want. Seasonal flavors and whole grains. And a commitment to removing artificial additives (flavors, colors, sweeteners and preservatives) from our food in all of our bakery-cafes in the United States by the end of 2016.

We're also focused on improving quality and convenience. With investments in technology and operations, we now offer new ways to enjoy your Panera favorites - including mobile ordering, Rapid Pick-Up for to-go orders, delivery and consumer packaged goods available at various grocers throughout the country - all designed to make things easier for our guests.

We believe our competitive strengths include more than just great food and superior customer service. We are committed to creating an ambiance in our bakery-cafes and a culture within Panera that is warm, inviting, and embracing, and focus our investments on elevating this experience. We design each bakery-cafe to provide a distinctive environment, in many cases using fixtures and materials complementary to the neighborhood location of the bakery-cafe as a way to engage customers. The distinctive design and environment of our bakery-cafes are intended to offer an oasis from the rush of daily life, where our associates are trained to greet our customers by name and have the skills, expertise, and personalities to make each visit a delight. Many of our bakery-cafes incorporate the warmth of a fireplace and cozy seating areas or outdoor cafe seating, which facilitate the use of our bakery-cafes as a gathering spot. Our bakery-cafes are designed to visually reinforce the distinctive difference between our bakery-cafes and other bakery-cafes and restaurants. In addition, we believe that our MyPanera® loyalty program allows us to build deeper relationships with our customers and entice them to return to our bakery-cafes.

Our menu, operating systems, design, and real estate strategy allow us to compete successfully in several segments of the restaurant business: breakfast, lunch, gathering place, dinner, and take home, through both on-premise sales and off-premise Panera® Catering. We compete with specialty food, casual dining, and quick-service restaurant retailers, including national, regional, and locally-owned restaurants. Our competitors vary across different dayparts. We understand people choose restaurants depending on individual food preferences, mood, and price. Our goal is to be the place worth crossing the street for to enjoy Panera food. Because of that goal, we are working to drive increased customer desire through Concept Essence 2015, our blueprint for attracting and retaining our customers that we believe differentiates us from our competitors, which includes innovations in food, marketing, and store design.

In addition to our in-bakery-cafe dining experience, we offer Panera Catering, a nation-wide catering service that provides breakfast assortments, sandwiches, salads, soups, pasta dishes, drinks, and bakery items using the same high-quality, fresh ingredients enjoyed in our bakery-cafes. Panera Catering is supported by a national sales infrastructure that includes an on-line ordering system. To support our bakery-cafes in servicing small-, medium- and large-order catering markets, we operate catering-only units, referred to as delivery hubs. As of December 29, 2015, there were 27 Company-owned and one franchise-operated delivery hubs.

Menu

Our menu is designed to provide a variety of food products our customers crave, along with transparency to empower them to choose how they want to eat. Panera was the first national restaurant company to voluntarily add calories to its menu boards in 2010 and currently includes this information on menu boards at all of our Company-owned bakery-cafes. We feature a menu which includes proprietary items prepared with high-quality, fresh ingredients, including our fresh-from-the-field romaine lettuce and tomatoes and our chicken raised without antibiotics, as well as unique recipes and toppings designed to provide appealing, flavorful products. Our menu embodies a comprehensive set of commitments formally articulated in our Food Policy and consistent with our long held values. The Food Policy outlines our advocacy for a commitment to clean ingredients and a positive impact on the food system. In May 2015, we announced our "No No List" of artificial additives that will be removed from our food in all of our bakery-cafes in the United States by the end of 2016.

Our key menu groups are daily baked goods, including a variety of freshly baked bagels, breads, muffins, scones, rolls, and sweet goods; made-to-order sandwiches on freshly baked breads; hearty, unique soups; freshly prepared and hand-tossed salads; pasta

dishes; and custom roasted coffees and cafe beverages, such as hot or cold espresso and cappuccino drinks and smoothies. We regularly review and innovate our menu offerings to feature new taste profiles we believe our customers crave.

Operational Excellence

We believe that operational excellence is the most important element of Panera Warmth, a concept that reflects the totality of the experience that our customers receive and can take home to share with friends and family, and without strong execution and operational skills, it is difficult to build and maintain a long-lasting relationship with our customers. As a result, we are concentrating efforts and resources on our Panera 2.0 initiative, a strategic initiative intended to enhance the experience for both our dine-in and to-go guests. This enhanced guest experience is enabled by technology and operational improvements designed to keep up with high transaction volumes and to deliver unrestrained production demand. Panera 2.0 is part of a broader set of initiatives designed to make Panera a better competitive alternative and to enable expanded growth through not only Panera 2.0 but also through innovation in operations, food, and marketing, utilization of delivery hubs, expanded small-order delivery and our investments in technology to create the capabilities needed to support these initiatives.

To develop a strong connection with our customers, our bakery-cafes are staffed by skilled and engaging associates. Additionally, we believe high-quality restaurant management is critical to our long-term success and, as such, we provide detailed operations manuals and hands-on training to each of our associates. We train our associates both in small group and individual settings. Our systems have been created to educate our associates so each one is well prepared to respond to a customer's questions and create a better dining experience. Furthermore, we believe our commitment to investing in staffing levels necessary to service growth in revenues, along with maintaining competitive compensation for our associates, is fundamental to our future success.

We believe in providing bakery-cafe operators the opportunity to share in the success of the bakery-cafe. Through our Joint Venture Program, selected general managers and multi-unit managers may participate in a bonus program, which is based upon a percentage of the store profit of the bakery-cafes they operate, generally over a period of five years (subject to annual minimums and maximums). We believe the program's multi-year approach improves operator quality and management retention, and creates team stability, which generally results in a higher level of consistency and customer service for a particular bakery-cafe. It also leads to stronger associate engagement and customer loyalty. Currently, approximately 45 percent of our Company-owned bakery-cafe operators participate in the Joint Venture Program. We believe this program is a fundamental underpinning of our low rate of management turnover and operational improvements.

Management Information Systems

We believe technology is a differentiator in the restaurant business. We are committed to being a leader in technology that makes a difference to our customers by providing a greater degree of access and convenience. As a result, we are concentrating efforts and resources on our Panera 2.0 initiative, which is intended to enhance the experience for both our dine-in and to-go guests. The enhanced guest experience is enabled by technology, including the convenience of digital ordering and Rapid Pick-Up, and operational improvements. We expect to continue to make substantial investments in technology designed to provide greater access for customers, increased operational capabilities including improved labor and inventory management tools, and improvements in core enterprise systems. We also continue to modernize and make investments in our information technology networks and infrastructure, specifically in our physical and technological security measures to anticipate cyber-attacks and prevent breaches, and to provide improved control, security and scalability. Enhancing the security of our financial data, customer information and other personal information remains a priority for us.

Each of our Company-owned bakery-cafes have programmed point-of-sale registers which collect transaction data used to generate pertinent information, including, among other things, transaction counts, product mix, and average check. All Company-owned bakery-cafe product prices are programmed into the point-of-sale registers from our support centers. We allow franchisees access to certain of our proprietary bakery-cafe systems and systems support. Franchisees are responsible for providing the appropriate menu prices, discount rates, and tax rates for system programming.

We use in-store enterprise application tools to assist in labor scheduling and food cost management, to provide corporate and retail operations management with quick access to retail data, to allow on-line ordering with distributors, and to reduce managers' administrative time. We are also investing in enhanced back-of-house forecasting and labor scheduling systems to improve the effectiveness of these capabilities. We use retail data to generate daily and weekly consolidated reports regarding sales and other key metrics, as well as detailed profit and loss statements for our Company-owned bakery-cafes. Additionally, we monitor the transaction counts, product mix, average check, and other sales trends. We also use this retail data in our "exception-based reporting" tools to safeguard our cash, protect our assets, and train our associates. Our fresh dough facilities have information systems which accept electronic orders from our bakery-cafes and monitor delivery of the ordered product back to our bakery-cafes. We also use proprietary on-line tools, such as eLearning, to provide on-line training for our retail and fresh dough facility associates and on-line baking instructions for our bakers.

Marketing

We are committed to improving the customer experience in ways we believe few in our industry have done. We use our scale to execute a broader marketing strategy, not simply to build brand recognition and awareness, but also to build deeper relationships with our customers who we believe will help advocate for our brand.

To reach our target customer group, we advertise through a mix of mediums, including radio, billboards, social networking, and the Internet. In addition, we market through a national cable television campaign as a way to reach a broader audience. We believe our shift to a greater emphasis on national and digital advertising will help us improve and increase recognition of our brand and competitive differentiation. More recently, in the second quarter of fiscal 2015, Panera unveiled a new campaign: Food as it should be. We believe the campaign speaks to our values and achievements, including our commitment to be an ally for the wellness of our guests.

Our MyPanera® customer loyalty program allows our customers to earn rewards based on registration in the program and purchases from our bakery-cafes. We believe MyPanera has allowed us to build deeper relationships with our customers by enhancing their experience with us through their receipt of rewards and enticing them to return to our bakery-cafes. Further, MyPanera offers us valuable insight into the preferences of our customers to help us further refine our marketing message and menu design. We believe MyPanera is the largest customer loyalty program in the industry, with approximately 22 million customers enrolled in MyPanera at the end of fiscal 2015. During fiscal 2015, approximately 50 percent of our transactions in our bakery-cafes were attached to a MyPanera loyalty program card.

Our franchise agreements generally require our franchisees to contribute to advertising expenses. In fiscal 2015, our franchise-operated bakery-cafes contributed 2.6 percent of their net sales to a national advertising fund, paid us a marketing administration fee of 0.4 percent of their net sales, and were required to spend 0.8 percent of their net sales on advertising in their respective markets. The national advertising fund and marketing administration contributions from our franchise-operated bakery-cafes are consolidated in our financial statements with amounts contributed by us. We contributed the same net sales percentages from Company-owned bakery-cafes towards the national advertising fund and marketing administration fee.

Capital Resources and Deployment of Capital

We finance our activities through cash flow generated through operations and term loan borrowings. We also have the ability to borrow up to $250 million under a credit facility. Our capital requirements, including development costs related to the opening or acquisition of additional Company-owned bakery-cafes and fresh dough facilities, maintenance and remodel expenditures, and for other capital needs such as enhancements to information systems and other infrastructure to support ongoing operational initiatives have been and will continue to be significant. However, we believe that cash provided by our operations, our term loan borrowings, and available borrowings under our credit facility will be sufficient to fund our capital requirements for the foreseeable future.

We believe the best use of our capital is to invest in our core business, either through the development of new bakery-cafes or the enhancement of the guest experience in existing bakery-cafes.

In evaluating potential new bakery-cafe locations, we study the surrounding trade area and demographics and publicly available information on competitors. Based on this review and the use of proprietary, predictive modeling, we estimate projected sales and a targeted return on investment. We also employ a disciplined capital expenditure process in which we focus on occupancy and development costs in relation to the market. This process is designed to ensure we have an appropriate size bakery-cafe and deploy capital in the right market to generate desired returns.

Our concept has proved successful in different types of locations, such as in-line or end-cap locations in strip or power centers, regional malls, and free-standing units. The average Company-owned bakery-cafe size was approximately 4,500 square feet as of December 29, 2015. We lease nearly all of our bakery-cafe locations and all of our fresh dough facilities. The reasonably assured lease term for most bakery-cafe and support center leases is the initial non-cancelable lease term plus one renewal option period, which generally equates to an aggregate of 15 years. The reasonably assured lease term for most fresh dough facility leases is the initial non-cancelable lease term plus one to two renewal periods, which generally equates to an aggregate of 20 years. Lease terms generally require us to pay a proportionate share of real estate taxes, insurance, common area maintenance, and other operating costs. Certain bakery-cafe leases provide for contingent rental (i.e., percentage rent) payments based on sales in excess of specified amounts. Certain of our lease agreements provide for scheduled rent increases during the lease term or for rental payments commencing at a date other than the date of initial occupancy.

The average construction, equipment, furniture and fixtures, and signage cost excluding capitalized development overhead for the 57 Company-owned bakery-cafes that opened in fiscal 2015 was approximately $1.4 million per bakery-cafe.

We also return cash to stockholders in the form of share repurchases under our publicly announced share repurchase authorizations. During fiscal 2015, we repurchased 2,201,719 shares of our Class A common stock for an aggregate purchase price of approximately $399.9 million. During fiscal 2014, we repurchased 941,878 shares of our Class A common stock for an aggregate purchase price of approximately $154.1 million. During fiscal 2013, we repurchased 1,992,250 shares of our Class A common stock for an aggregate purchase price of approximately $332.1 million.

Franchise Operations

Our franchisees, which as of December 29, 2015 operated approximately 54 percent of our bakery-cafes, are comprised of 33 franchise groups with an average of approximately 32 bakery-cafes per group. We are selective in granting franchises, and applicants must meet specific criteria in order to gain consideration for a franchise. Generally, our franchisees must be well-capitalized to open bakery-cafes, meet a negotiated development schedule, and have a proven track record as a multi-unit restaurant operator. Additional qualifications include minimum net worth and liquidity requirements, infrastructure and resources to meet our development schedule, and a commitment to the development of our brand. If all of these qualifications are not met, we may still consider granting a franchise depending on the market and the particular circumstances.

As of December 29, 2015, we had 1,071 franchise-operated bakery-cafes operating throughout the United States and in Ontario, Canada, and we have received commitments to open 128 additional franchise-operated bakery-cafes. The timetables for opening these bakery-cafes are generally established in our Area Development Agreements, or ADAs, with franchisees, which provide for the majority of these planned bakery-cafes to open within the next five years. The ADAs require a franchisee to develop a specified number of bakery-cafes on or before specified dates. If a franchisee fails to develop bakery-cafes on schedule, we have the right to terminate the ADA and develop Company-owned locations or develop locations through new franchisees in that market. We may exercise one or more alternative remedies to address defaults by area developers, including not only development defaults, but also defaults in complying with our operating and brand standards and other covenants under the ADAs and franchise agreements. We may waive compliance with certain requirements under our ADAs and franchise agreements if we determine such action is warranted under the particular circumstances.

Pursuant to a typical ADA, we receive a franchise fee of $35,000 per bakery-cafe (of which we generally receive $5,000 at the signing of the ADA and $30,000 at or before the bakery-cafe opening) and continuing royalties, which are generally five percent of net sales per bakery-cafe. Franchise royalties and fees in fiscal 2015 were $138.6 million, or 5.2 percent of our total revenues. Our franchise-operated bakery-cafes follow the same protocol for in-store operating standards, product quality, menu, site selection, and bakery-cafe construction as Company-owned bakery-cafes. Generally, franchisees are required to purchase all of their fresh dough and other products from us or sources approved by us. Our fresh dough facility system supplies fresh dough and other products to substantially all franchise-operated bakery-cafes. We do not generally finance franchisee construction or ADA payments. From time to time and on a limited basis, we may provide certain development or real estate services to franchisees in exchange for a payment equal to the total costs of the services plus an additional fee. We also provide to our franchise-operated bakery-cafes, for a fee, limited information technology services and access to information technology infrastructure supporting operational initiatives. As of December 29, 2015, we did not hold an equity interest in any of our franchise-operated bakery-cafes.

Bakery-Cafe Supply Chain

We believe our fresh dough facility system and supply chain function provide us with a competitive advantage. We have a unique supply-chain operation in which our regional fresh dough facilities supply dough for our fresh bread on a daily basis, along with tuna, cream cheese, and certain produce to substantially all of our Company-owned and franchise-operated bakery-cafes. As of December 29, 2015, we had 24 fresh dough facilities, 22 of which were Company-owned, including one located in Ontario, Canada, to support the 17 bakery-cafes located within that market.

Fresh dough is the key to our high-quality, artisan bread, and fresh produce is essential to our high-quality salads and sandwiches. We distribute fresh dough and produce through a leased fleet of temperature controlled trucks operated by our associates. As of December 29, 2015, we leased 254 trucks. The optimal maximum distribution range is approximately 300 miles; however, when necessary, the distribution ranges may be up to 500 miles.

Our bakers bake through the night, shaping, scoring, and finishing the dough by hand to bring our customers fresh-baked loaves, bagels, and sweet goods every morning. In addition, our bakers bake high volume products throughout the day to continue to deliver abundant amounts of the highest quality and freshest bread possible. We believe our fresh dough facilities have helped us and will continue to help us to maintain consistent food quality at our bakery-cafes.

We focus our growth in areas we believe allow us to continue to gain efficiencies through leveraging the fixed cost of the fresh dough facility structure. There are opportunities we may not be able to currently address with our traditional fresh dough facility

structure. As a result, we may be required to construct additional fresh dough facilities or utilize alternative manufacturing and distribution processes consistent with our quality standards to address these needs.

Our supply chain management system is intended to provide bakery-cafes with high-quality food from reliable sources. We are committed to having a positive impact on the food system by sourcing responsibly raised livestock and poultry, as well as high-quality ingredients without artificial additives, including added MSG and artificial trans fats.

We contract externally for the manufacture of the remaining baked goods in the bakery-cafes, referred to as sweet goods. Sweet goods products are completed at each bakery-cafe by our professionally trained bakers. Completion includes finishing with fresh toppings and other ingredients and baking to established artisan standards utilizing unique recipes.

We use independent distributors to distribute our proprietary sweet goods products and other materials to bakery-cafes. With the exception of products supplied directly by the fresh dough facilities, virtually all other food products and supplies for our bakery-cafes, including paper goods, coffee, and smallwares, are contracted by us and delivered by vendors to an independent distributor for delivery to the bakery-cafes. We maintain a list of approved suppliers and distributors from which we and our franchisees must select. We leverage our size and scale to improve the quality of our ingredients, improve purchasing efficiency, and negotiate purchase agreements, which includes purchasing commodities under agreements with terms generally ranging from one month to one year, usually at a fixed price, with most of our approved suppliers to achieve cost reduction for both us and our customers.

Food quality and safety has been and will continue to be a priority for us. We have rigorous processes in place and follow industry standard practices for quality and safety. We monitor evolving best practices in food safety and work with our vendors to implement them. We believe these processes help to ensure we serve safe, wholesome food at our bakery-cafes.

Competition

We compete with a variety of national, regional and locally-owned food service companies, including specialty food, casual dining and quick-service restaurants, bakeries, and restaurant retailers. Our bakery-cafes compete in several segments of the restaurant business: breakfast, lunch, gathering place, dinner, take home, catering, delivery, and consumer packaged goods. We believe we are able to compete favorably against other food service providers through our convenient bakery-cafe locations, appealing environment, high-quality food, beverages, customer service, and marketing. Some of our competitors are larger than we are and have substantially greater financial resources than we do. For further information regarding competition, see Item 1A. Risk Factors.

Employees

As of December 29, 2015, we had approximately 47,200 total associates of whom 23,800 work, on average, at least 25 hours per week. Approximately 44,400 associates were employed in our bakery-cafe operations as bakers, managers, and associates, approximately 1,500 were employed in our fresh dough facility operations, and approximately 1,300 were employed in general or administrative functions, principally in our support centers. We do not have any collective bargaining agreements with our associates and we consider our employee relations to be good. We place a priority on staffing our bakery-cafes, fresh dough facilities, and support center operations with skilled associates and invest in training programs to maintain the quality of our operations.

Proprietary Rights

Our brand, intellectual property, and our confidential and proprietary information are very important to our business and competitive position. We protect these assets through a combination of trademark, copyright, trade secret, unfair competition, and contract laws.

The Panera®, Panera Bread®, Saint Louis Bread Co.®, Panera® Catering, You Pick Two®, Paradise Bakery®, Paradise Bakery & Café®, the Mother Bread® design, MyPanera®, and Panera to You® trademarks are some of the trademarks we have registered with the United States Patent and Trademark Office. In addition, we have filed to register other trademarks with the United States Patent and Trademark Office. We have also registered some of our trademarks in a number of foreign countries. In addition, we have registered and maintain numerous Internet domain names.

Corporate History and Additional Information

We are a Delaware corporation, formed in 1981. Our principal offices are located at 3630 South Geyer Road, Suite 100, St. Louis, Missouri, 63127, and our telephone number is (314) 984-1000.

We are subject to the informational requirements of the Exchange Act, and, accordingly, we file reports, proxy statements, and other information with the SEC. Such reports, proxy statements, and other information are publicly available and can be read and

copied at the reference facilities maintained by the SEC at the Public Reference Room, 100 F Street, NE, Room 1580, Washington, D.C., 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site (*www.sec.gov*) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Our Internet address is *www.panerabread.com*. We make available at this address, free of charge, press releases, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. In addition, we provide periodic investor relations updates and our corporate governance materials at our Internet address. The information contained on, or that can be accessed through, our website is not part of this Annual Report on Form 10-K. We have included our website address solely as an inactive textual reference.

ITEM 1A. RISK FACTORS

The following risk factors could materially affect our business, consolidated financial condition and results of operations. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties we face. Our business is also subject to general risks and uncertainties that affect many other companies, including overall economic and industry conditions. Additional risks and uncertainties not currently known to us or that we currently believe are not material also may impair our business, consolidated financial condition and results of operations.

Disruptions in our bakery-cafe supply chain could adversely affect our profitability and operating results.

Our Company-owned and franchise-operated bakery-cafes depend on frequent deliveries of ingredients and other products. We rely on one distribution partner to deliver the majority of our non-dough ingredients and other products to our bakery-cafes two or three times per week, and we supply our bakery-cafes with fresh dough and certain other products, including produce, on a daily basis. There are many factors which could cause shortages or interruptions in the supply of our ingredients and products, including adverse weather, unanticipated demand, labor or distribution problems, food safety issues by our suppliers or distributors, cost, and the financial health of our suppliers. Additionally, we currently depend on a limited number of suppliers for several of our proteins, such as selected proteins raised without antibiotics, which are sold in most Company-owned and franchise-operated bakery-cafes. As there are few producers of proteins raised without antibiotics, it may be difficult or more costly for us to find alternative suppliers, if necessary. If we have to seek new suppliers or service providers, we may be subject to pricing or other terms less favorable than those we currently enjoy. If we cannot replace or engage distributors or suppliers who meet our specifications in a short period of time, this could increase our expenses and cause shortages of food and other items at our bakery-cafes, which could cause a bakery-cafe to remove items from its menu. If such actions were to occur, customers could change their dining habits, and affected bakery-cafes could experience significant reductions in sales during the shortage or thereafter.

The market in which we compete is highly competitive, and we may not be able to compete effectively.

The restaurant industry is highly competitive with respect to location, customer service, price, value, food quality, ambiance, and overall customer experience. We compete with national, regional, and locally owned food service companies, including specialty food, casual dining and quick-service restaurants, coffee chains, bakeries, and restaurant retailers. Many of our competitors or potential competitors have greater financial and other resources than we do, which may allow them to react to changes in pricing, marketing, and trends in the restaurant industry more quickly or effectively than we can.

We may also compete with companies outside the fast casual and quick service and casual dining segments of the restaurant industry. For example, competitive pressures can come from deli sections and in-store cafés of several major grocery store chains, including those targeted at customers who want higher-quality food. These competitors may have, among other things, a more diverse menu, lower operating costs, better locations, facilities or management, more effective marketing or more efficient operations than we have.

If we are unable to successfully compete in these markets, we may be unable to sustain or increase our revenues and profitability.

Our financial results could be negatively impacted if we fail to generate expected revenue and profits from substantial investments in our bakery-cafes to enable a better customer experience.

Operational excellence and the continued improvement of our customer experience are among our highest priorities and as such we have made significant investments in our bakery-cafes over the past several years. We expect to continue to make significant investments during fiscal 2016 and going forward in technology, operational tools, and related systems, as well as the labor necessary to support this technology, in areas which include, but are not limited to, the ordering process, food production and the delivery of food to the customer. Our inability to accurately predict the costs and rollout of such initiative across our system or

our failure to generate expected revenue and profits from such activities and investments could negatively impact our financial results.

Changes in customer tastes and preferences may reduce the frequency of their visits to our bakery-cafes or may cause them to cease paying our prices for high-quality food.

Our success depends in large part on our customers' continued belief that food made with high-quality ingredients, including selected proteins raised without antibiotics, our artisan breads, and food items made without artificial preservatives, colors, sweeteners or flavors is worth the prices charged at our bakery-cafes relative to the lower prices offered by some of our competitors, particularly those in the quick-service segment. Our inability to successfully educate customers about the quality of our food or our customers' rejection of our pricing approach could result in decreased demand for our products or require us to change our pricing, marketing, or promotional strategies, which could materially and adversely affect our consolidated financial results or the brand identity that we have created.

Changes in food and supply costs could adversely affect our consolidated results of operations.

Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs. In the past, we have generally been able to recover inflationary cost and commodity price increases for, among other things, fuel, proteins, dairy, produce, wheat, tuna, and cream cheese through increased menu prices. There have been, and there may be in the future, delays in implementing such menu price increases, and economic factors and competitive pressures may limit our ability to recover fully such cost increases. Historically, the effects of inflation on our consolidated results of operations have not been materially adverse. However, increased volatility in certain commodity markets, including those for wheat, proteins, or produce, could have an adverse effect on our consolidated results of operations if we are unable to increase menu prices to cover such ingredient price increases. We could also be adversely affected by price increases specific to proteins we have chosen due to their specific quality profile or related criteria (e.g. proteins raised without antibiotics), the markets for which are generally smaller and more concentrated than the markets for other commodity food products.

We may not be successful in implementing important strategic initiatives, which may have an adverse impact on our business and consolidated financial results.

Our business depends upon our ability to continue to grow and evolve through various important strategic initiatives. There can be no assurance that we will be able to implement these important strategic initiatives or that these strategic initiatives will deliver on their intended results, which could in turn adversely affect our business.

These strategic initiatives include:

- introducing new menu items and improving existing items consistent with customer tastes and expectations and our commitment to food that customers can trust through our food policy initiatives;
- generating increased sales through catering and small order delivery, including through our Panera® Catering and Panera to You® initiatives;
- our ability to achieve the benefits of our refranchising initiative, which will depend on various factors including the returns we realize from such transactions and whether the resulting ownership mix supports our financial objectives;
- balancing unit growth while meeting target returns on invested capital for locations;
- generating additional revenue and corresponding profits through the retail sale of consumer packaged goods through alternative channels of distribution;
- identifying alternative formats for our bakery-cafes to enable us to open locations in more diverse locations;
- investing in technology and systems designed to enable our managers to focus their energy on improving the customer experience in our bakery-cafes;
- increasing brand awareness through greater investment in marketing and advertising, including increased national television advertising and digital advertising and continued leveraging of our MyPanera® loyalty program;
- investing in labor and the related management tools to meet the demands necessary to maximize throughput and capacity in our bakery-cafes;

- simplifying our operating procedures to facilitate the operation of high volume bakery-cafes; and
- investing in technology designed to drive demand and increase transaction counts and frequency in our bakery-cafes.

Customer preferences and traffic could be adversely impacted by health concerns about certain food products, reports of food-borne illnesses or food safety issues, any of which could result in a decrease in demand for our products.

Customer preferences and traffic could be adversely impacted by health concerns or negative publicity about the consumption of particular food products, which could cause a decline in demand for those products and adversely impact our sales. Additionally, regardless of the source or cause, reports of food-borne illnesses or other food safety issues (including food tampering or contamination) in the food service industry could cause customers to shift their preferences, result in negative publicity regarding restaurants generally and adversely impact our sales. For example, recent outbreaks of E. coli in certain beef products or produce and outbreaks of salmonella in cantaloupes, jalapeños and spinach caused consumers to avoid these products. These problems, other food-borne illnesses (such as norovirus, hepatitis A or trichinosis), and injuries caused by food tampering have in the past, and could in the future, require us to temporarily close bakery-cafes. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, resulting in higher costs and a decrease in customer traffic to our bakery-cafes. Furthermore, any instances of food contamination, whether or not at our bakery-cafes, could subject us or our suppliers to a food recall pursuant to the United States Food and Drug Administration's recently enacted Food Safety Modernization Act.

Security breaches of confidential customer information or personal employee information may adversely affect our business.

Each year, we engage in millions of transactions with our customers. Approximately 75 percent of our bakery-cafe sales are by credit or debit card. Additionally, as we continue to evolve our e-commerce initiatives we expect our credit card transactions, specifically online and mobile, to increase. In connection with credit card sales, including online and through mobile applications, we and our franchisees transmit confidential credit card information by way of secure private retail networks. Although we use private networks, third parties may have the technology or know-how to breach the security of the customer information transmitted in connection with credit card sales; we and our franchisees' security measures and those of our technology vendors may not effectively prohibit others from obtaining improper access to this information. If a third party is able to circumvent these security measures, information could be stolen or destroyed potentially causing a disruption of our operations. Significant capital investments and other expenditures could be required to remedy the problem and prevent future breaches, including costs associated with additional security technologies, personnel, experts and credit monitoring services for those whose data has been breached. These costs, which could be material, could adversely impact our results of operations in the period in which they are incurred and may not meaningfully limit the success of future attempts to breach our information technology systems. Media or other reports of existing or perceived security vulnerabilities in our systems or those of our third party business partners or service providers, regardless if a breach has been attempted or has occurred, can also adversely impact our brand and reputation and materially impact our business.

Like many other retail companies and because of the prominence of our brand, we have experienced frequent attempts to compromise our information technology systems, none of which have resulted in a material breach. Additionally, the techniques and sophistication used to conduct cyber-attacks and breaches of information technology systems, as well as the sources and targets of these attacks, change frequently and are often not recognized until such attacks are launched or have been in place for a period of time. While we continue to make significant investment in physical and technological security measures, employee training, and third party services, designed to anticipate cyber-attacks and prevent breaches, our information technology networks and infrastructure or those of our third party vendors and other service providers could be vulnerable to damage, disruptions, shutdowns, or breaches of confidential information due to criminal conduct, employee error or malfeasance, utility failures, natural disasters or other catastrophic events. Due to these scenarios we cannot provide assurance that we will be successful in preventing such breaches or data loss.

We also maintain certain personal information regarding our employees directly and through third party vendors. If a third party is able to circumvent the security measures intended by us or our vendors to protect our customer or employee private data, he or she could destroy or steal information or disrupt our operations, which could significantly harm our reputation and/or result in litigation against us or the imposition of penalties.

Disruptions or supply issues in our fresh dough facilities could adversely affect our business and consolidated results of operations.

We operate 22 Company-owned fresh dough facilities, which service substantially all of our Company-owned and franchise-operated bakery-cafes. Our fresh dough and other product distribution system delivers fresh dough and other products daily to

the bakery-cafes through a leased fleet of temperature controlled vehicles. The optimal maximum distribution range is approximately 300 miles; although, when necessary, the distribution range may reach up to 500 miles. As a result, any prolonged disruption in the operations of, or distribution from any of our fresh dough facilities, including due to weather conditions, technical or labor difficulties, or destruction of, or damage to the vehicle fleet or facilities, could result in a shortage of fresh dough and other products at our bakery-cafes, and, depending on its extent and duration, have a material adverse effect on our business and consolidated results of operations.

Additionally, given that we rely on trucks for the delivery of items from our fresh dough facilities, any increased costs and distribution issues related to fuel could also materially adversely impact our business and consolidated results of operations.

Our Franklin, Massachusetts fresh dough facility manufactures and supplies through its distributors all of the cream cheese and tuna used in most of our Company-owned and franchise-operated bakery-cafes in the United States. Additionally, we distribute a number of fresh produce products provided from our suppliers through our fresh dough facility system. Although we believe we have adopted adequate quality assurance and other procedures to seek to ensure the production and distribution of quality products and ingredients, we may be subject to allegations regarding quality, health, or other similar concerns that could have a negative impact on our operations, whether or not the allegations are valid or we are liable. Additionally, defending against such claims or litigation could be costly and the results uncertain.

If we are not successful in our initiatives related to delivering food you can trust to our customers, our financial results could be negatively impacted.

Our commitment to serve food that customers can trust represents an important part of our business. We currently use a significant number of ingredients raised or manufactured with an emphasis on practices we believe to be more responsible than some conventional practices, such as selected proteins raised without antibiotics. We may encounter supply challenges for such ingredients, particularly proteins. We have also made a commitment to remove artificial colors, flavors, sweeteners and preservatives from our food in all of our bakery-cafes in the United States by the end of 2016. This commitment will increase our costs.

If, as a result of any of these factors we are unable to obtain a sufficient and consistent supply of such ingredients on a cost-effective basis, our food costs could increase, which could adversely affect our operating margins. We may also face adverse publicity or liability for false advertising claims if there is not adherence to all of the elements of our food policy and related initiatives, such as responsible animal welfare policies and similar criteria on which we base our purchasing decisions. A few of our markets temporarily served conventionally raised turkey for a brief period during fiscal 2014 due to supply shortages. These factors could also make it difficult to align our food policy initiatives, which could make us less popular among our customers and cause sales to decline. If any such supplier failures occur and are publicized, our reputation would be harmed and our sales may be adversely impacted.

Additionally, in response to increasing customer awareness and demand, some competitors have also begun to advertise their use of meats raised without the use of antibiotics and other ingredients similar to those we seek as part of our food policy and initiatives. If competitors become known for using these types of higher-quality or more sustainable ingredients, it could further limit our supply of these ingredients, and may make it more difficult for us to differentiate ourselves which could adversely impact our operating results.

Increased advertising and marketing costs could negatively impact our profitability.

We expect our advertising expenses to continue to increase and we intend to dedicate greater resources to national advertising and marketing in the future. If new advertising and other marketing programs, including our digital advertising or national television advertising, do not result in increased net bakery-cafe sales or if the costs of advertising, media, or marketing increase greater than expected, our profitability could be materially adversely affected.

Increased labor costs or difficulties in recruiting the right associates could adversely affect our future results.

Our success depends, in part, on our continuing ability to hire, train, motivate, and retain qualified associates in our bakery-cafes, fresh dough facilities, and support centers in a competitive labor market. We look to hire warm, friendly, motivated and caring associates, who are excited and committed to embodying our culture and actively growing themselves and our brand. A sufficient number of qualified individuals to fill these positions and qualifications may be in short supply in some communities. Competition in these communities for qualified staff could require us to pay higher wages and provide greater benefits, especially if there is significant improvement in regional or national economic conditions. We place a heavy emphasis on the qualification and training of our personnel and spend a significant amount of time and money on training our employees. Any inability to recruit and retain qualified individuals may result in higher turnover and increased labor costs, and could compromise the quality of our service, all

of which could adversely affect our business.

Our ability to increase our revenues and operating profits could be adversely affected if we are unable to execute our bakery-cafe growth strategy or achieve sufficient returns on invested capital in bakery-cafe locations.

Our bakery-cafe growth strategy primarily consists of new market development and further penetration of existing markets, both by us and our franchisees, including the selection of sites which will achieve targeted returns on invested capital. The success of this strategy depends on numerous factors that are not completely controlled by us or involve risks that may impact the development, or timing of development, of our bakery-cafes. Our ability to grow the number of bakery-cafes successfully will depend on a number of factors, including:

- obstacles to hiring and training qualified operating personnel in the local market;
- identification and availability of suitable locations for new bakery-cafes on acceptable terms, including costs and appropriate delivery distances from our fresh dough facilities;
- increased competition for restaurant sites from newer and increasing number of concepts in the fast casual segment;
- variations in the number and timing of bakery-cafe openings as compared to our construction schedule;
- management of the costs of construction of bakery-cafes, particularly factors outside our control, such as the timing of delivery of a leased location by the landlord;
- our ability to negotiate favorable economic and business terms;
- our ability to secure required governmental approvals and permits and comply with applicable zoning, land use, and environmental regulations; and
- shortages of construction materials and labor.

Our bakery-cafe growth strategy also includes continued development of bakery-cafes through franchising. At December 29, 2015, approximately 54 percent of our bakery-cafes were operated by franchisees (1,071 franchise-operated bakery-cafes out of a total of 1,972 bakery-cafes system-wide). The opening and successful operation of bakery-cafes by franchisees depends on a number of factors, including those identified above, as well as the availability of suitable franchise candidates and the financial and other resources of our franchisees such as our franchisees' ability to receive financing from banks and other financial institutions, which may become more challenging in the current economic environment.

As noted above, identifying and securing an adequate supply of suitable new bakery-cafe sites presents significant challenges because of the intense competition for those sites in our target markets, and increasing development and leasing costs. This may be especially true as we continue to expand into more urban locations. Further, any restrictions or limitations of credit markets may require developers to delay or be unable to finance new projects. Delays or failures in opening new restaurants due to any of the reasons set forth above could materially and adversely affect our growth strategy and our expected results.

Our success in part depends on the success of our franchisees business.

Our success depends in part on the operations of our franchisees. While we provide training and support to, and monitor the operations of, our franchisees, the product quality and service they deliver may be diminished by any number of factors beyond our control, including financial pressures and their own business operations, such as employment related matters. We strive to provide our customers with the same experience at Company-owned bakery-cafes and franchise-operated bakery-cafes. Our customers may attribute to us problems which originate with one of our franchisees, particularly those affecting the quality of the service experience, food safety, litigation or compliance with laws and regulations, thus damaging our reputation and brand value and potentially adversely affecting our results of operations.

Furthermore, our consolidated results of operations include revenues derived from royalties on sales from, and revenues from sales by our fresh dough facilities to, franchise-operated bakery-cafes. As a result, our growth expectations and revenues could be negatively impacted by a material downturn in sales at and to franchise-operated bakery-cafes or if one or more key franchisees becomes insolvent and unable to pay us royalties.

Economic conditions in the United States and globally could adversely affect our business and financial results and have a material adverse effect on our liquidity and capital resources as well as that of our suppliers.

As our business depends upon consumer discretionary spending, our financial results are sensitive to broader macroeconomic conditions. Our customers may make fewer discretionary purchases as a result of, for example, unemployment, increased fuel and energy costs, foreclosures, bankruptcies, reduced access to credit and falling home prices. Because a key point in our business strategy is maintaining our transaction counts, average check amount and margin growth, any significant decrease in customer traffic or average profit per transaction resulting from fewer purchases by our customers or our customers' preferences to trade down to lower priced products on our menu will negatively impact our financial performance. If negative economic conditions persist for an extended period of time or worsen, consumers may make long-lasting changes to their discretionary purchasing behavior, including less frequent discretionary purchases on a more permanent basis. Additionally, financial difficulties experienced by our suppliers could result in product delays or shortages. Although the economy is showing signs of a recovery, the ability of the United States economy to sustain this recovery is likely to be affected by several national and global factors that are outside of our control.

Damage to our brands or reputation could negatively impact our business.

Our success depends substantially on the value of our brands and our reputation for offering high-quality food and a memorable experience with superior customer service. Our brands have been highly rated in annual consumer surveys and have received high recognition in industry publications. We believe that we must protect and grow the value of our brands through our Concept Essence 2015 to differentiate ourselves from our competitors and continue our success. Any incident that erodes consumer trust in or affinity for our brands could significantly reduce their value and have an adverse effect on our business.

Loss of senior management could adversely affect our future success.

Our success depends on the services of our senior management, all of whom are “at will” employees. The loss of a member of senior management could have an adverse impact on our business or the financial market’s perception of our ability to continue to grow.

We may be exposed to uncertainties and risks in Canada that could negatively impact our consolidated results of operations.

We expanded our Company-owned and franchise-operated operations into Canadian markets. Our expansion into Canada has made us subject to Canadian economic conditions, particularly currency exchange rate fluctuations, increased regulations, quotas, tariffs, and political factors, any of which could have a material adverse effect on our consolidated financial condition and results of operations as our Canadian operations continue to expand. Further, we may be exposed to new forms of competition not present in our domestic markets, as well as subject to potentially different demographic tastes and preferences for our products.

If we fail to comply with governmental laws or regulations or if these laws or regulations change, our business could suffer.

In connection with the operation of our business, we are subject to extensive federal, state, local, and foreign laws and regulations that are complex and vary from location to location, including those related to:

- franchise relationships;
- building construction and zoning requirements;
- nutritional content labeling and disclosure requirements;
- management and protection of the personal data of our employees and customers; and
- environmental matters.

Our bakery-cafes and fresh dough facilities are licensed and subject to regulation under federal, state, local and foreign laws, including business, health, fire, and safety codes. For example, we are subject to the U.S. Americans with Disabilities Act, or ADA, and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas.

In addition, various federal, state, local and foreign labor laws govern our operations and our relationship with our associates, including minimum wage requirements, overtime, accommodation and working conditions, benefits, work authorization requirements, insurance matters, workers’ compensation, disability laws such as the ADA discussed above, child labor laws, and anti-discrimination laws.

Although we believe that compliance with these laws has not had a material adverse effect on our operations to date, we may experience material difficulties or failures with respect to compliance with such laws in the future. Our failure to comply with these laws could result in required renovations to our facilities, litigation, fines, penalties, judgments, or other sanctions including the temporary suspension of bakery-cafe or fresh dough facility operations or a delay in construction or opening of a bakery-cafe, any of which could adversely affect our business and our reputation.

In addition, new government initiatives or changes to existing laws, such as the adoption and implementation of national, state, or local government proposals relating to increases in minimum wage rates, may increase our costs of doing business and adversely affect our results of operations.

Regulatory changes in and customer focus on nutrition and advertising practices could adversely affect our business.

There continues to be increased consumer emphasis on and regulatory scrutiny of restaurants operating in the quick-service and fast-casual segments with respect to nutrition and advertising practices. While we have responded to these developments by updating our menu boards and printed menus in all of our Company-owned bakery-cafes to include caloric information, we may become subject to other regulations in the area of nutrition disclosure or advertising which would require us to make certain additional nutritional information available to our customers or restrict the sales of certain types of ingredients. We may experience higher costs associated with the implementation and oversight of such changes that could have an adverse impact on our business.

Rising insurance costs could negatively impact our profitability.

We self-insure a significant portion of potential losses under our workers' compensation, medical, general, auto, and property liability programs. The liabilities associated with the risks that are retained by us are estimated, in part, by considering our historical claims experience and data from industry and other actuarial sources. The estimated accruals for these liabilities could be affected if claims differ from these assumptions and historical trends. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves of these losses could result in materially different amounts of expense under these programs, which could have a material adverse effect on our consolidated financial condition and results of operations.

We are subject to complaints and litigation that could have an adverse effect on our business.

In the ordinary course of our business, we have been, and we expect that in the future we will be, subject to complaints and litigation alleging that we are responsible for customer illness or injury suffered during or after a visit to one of our Company-owned bakery-cafes or franchise-operated bakery-cafes, including allegations of poor food quality, food-borne illness, adverse health effects, nutritional content or allergens, advertising claims or personal injury claims. In addition, from time to time, we are subject to litigation by employees, investors, franchisees, and others through private actions, class actions or other forums, including those alleging violations of various federal and state wage and hour laws regarding, among other things, overtime eligibility and failure to pay for all hours worked. The outcome of litigation, particularly class actions and regulatory actions, is inherently difficult to assess or quantify, and the defense against such claims or actions can be costly. In addition to decreasing sales and profitability and diverting financial and management resources, we may suffer from adverse publicity that could harm our brand, regardless of whether the allegations are valid or whether we are liable. Moreover, we are subject to the same risks of adverse publicity resulting from allegations even if the claim involves one of our franchisees. A judgment significantly in excess of our insurance coverage for any claims could materially and adversely affect our consolidated financial condition or results of operations.

Our failure or inability to protect our trademarks or other proprietary rights could adversely affect our business and competitive position.

We believe that our intellectual property and confidential and proprietary information are essential to our business and competitive position. Our trademarks, copyrights, service marks, trade secrets, confidential and proprietary information, and other intellectual property rights, are key components of our operating and marketing strategies. Although we have taken steps to protect our brand, intellectual property, and confidential and proprietary information, these steps may not be adequate. Unauthorized usage or imitation by others could harm our image, brand, or competitive position and, if we commence litigation to enforce our rights, cause us to incur significant legal fees.

We do not believe that our trademarks, menu offerings or newly developed technology platforms related to our initiatives designed to improve bakery-cafe throughput, customer experience and greater access for our customers, infringe upon the proprietary rights of third parties. An infringement claim, whether or not it has merit, could be time-consuming to defend against, result in costly litigation, cause delays or suspensions in marketing or introducing new menu items in the future or the rollout of initiatives such as those noted above, or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on our business, consolidated financial condition and results of operations.

We try to ensure that our franchisees maintain and protect our brand and our confidential and proprietary information. However, since our franchisees are independent third parties that we do not control, if they do not operate their bakery-cafes in a manner consistent with their agreements with us, our brand and reputation or the value of our confidential and proprietary information could be harmed. If this occurs, our business and operating results could be adversely affected.

We rely heavily on information technology and any material failure, interruption, or security breach in our systems could adversely affect our business.

We rely heavily on information technology systems across our operations, including for the order and delivery of fresh dough from our fresh dough facilities, point-of-sale processing in our bakery-cafes, gift and loyalty cards, online business, and various other processes and transactions, including the storage of employee and customer information. Our ability to effectively manage our business and coordinate the production, distribution, and sale of our products depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems could cause delays in product sales and reduced efficiency of our operations, and significant capital investments could be required to remediate the problem.

We periodically acquire existing bakery-cafes from our franchisees or ownership interests in other restaurant or bakery-cafe concepts, which could adversely affect our consolidated results of operations.

Periodically, we have acquired existing bakery-cafes from our franchisees either by negotiated agreement or exercise of our rights of first refusal under the franchise and area development agreements. Any acquisition that we undertake involves risk, including:

- our ability to successfully achieve anticipated synergies, accurately assess contingent and other liabilities as well as potential profitability;
- failure to successfully integrate the acquired entity's operational and support activities;
- unanticipated changes in business and economic conditions;
- limited or no operational experience in the acquired bakery-cafe market;
- future impairment charges related to goodwill and other acquired intangible assets; and
- risks of dispute and litigation with the seller, the seller's landlords, and vendors and other parties.

Any of these factors could strain our financial and management resources as well as negatively impact our consolidated results of operations.

The effect of changes to healthcare laws in the United States may increase our healthcare costs and negatively impact our financial results.

The Affordable Care Act was enacted in March 2010. We have continued to evaluate the potential impacts of this law on our business and accommodate various parts of the law and related rules and regulations as they take effect. Changes in the law that took effect in 2014, including the imposition of a penalty on individuals who do not obtain healthcare coverage, may result in employees who are currently eligible but elect not to participate in our healthcare plans increasingly finding it advantageous to do so, which may increase our healthcare costs in the future. The costs and other effects of these new healthcare requirements cannot be determined with certainty, but they may have a material adverse effect on our financial and operating results.

Unforeseen weather may disrupt our business.

Unforeseen natural events, such as earthquakes, hurricanes, or other adverse weather and climate conditions, could disrupt our operations or those of our franchisees, or suppliers. These events could reduce traffic in our bakery-cafes, make it difficult or impossible for bakery-cafes to receive deliveries of ingredients or other products, and otherwise impede our or our franchisees' ability to continue business operations in a manner consistent with the level and extent of business activities prior to the occurrence of the unexpected weather, which in turn may materially and adversely impact our business and operating results.

Our operating results fluctuate due to a number of factors, some of which may be beyond our control, and any of which may adversely affect our consolidated financial condition.

Our operating results may fluctuate significantly from our forecasts, targets, or projections because of a number of factors, including the following:

- changes in average weekly net sales and comparable net bakery-cafe sales due to:
  - lower customer traffic or average check per transaction, including as a result of the introduction or removal of new menu items;
  - changes in demographics, consumer preferences, and discretionary spending;
  - negative publicity about the ingredients we use or the occurrence of food-borne illnesses or other problems at our bakery-cafes; and
  - seasonality, including as a result of inclement weather.
- cost increases due to:
  - changes in our operating costs;
  - labor availability and increased labor costs, including wages and other compensation of management and associates, insurance, and health care; and
  - changes in business strategy including concept evolution and new designs.
- profitability of new bakery-cafes, especially in new markets;
- delays in new bakery-cafe openings; and
- fluctuations in supply costs, shortages, or interruptions.

As a result of these factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year. Average weekly sales or comparable bakery-cafe sales in any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors, which could cause our stock price to fall. We believe the market price of our common stock reflects high market expectations for our future operating results. As a result, if we fail to meet market expectations for our operating results in the future, any resulting decline in the price of our common stock could be significant.

Our federal, state, and local tax returns have been, and may in the future be, selected for audit by the tax authorities, which may result in tax assessments or penalties that could have a material adverse impact on our consolidated financial position and results of operations.

We are subject to federal, state, and local taxes in the United States and Canada, including income, sales, use, and other applicable taxes. Significant judgment is required in determining the provision for taxes. Additionally, sales and use tax requirements are often fact-specific, complex and vary from jurisdiction to jurisdiction, which complicates monitoring and compliance. Although we believe our tax estimates are reasonable and our procedures for collecting sales taxes are appropriate, from time to time, federal, state, and local tax authorities have challenged, and may in the future challenge, positions we have taken on our tax returns or our sales tax collection policies. If we are unable to resolve these challenges favorably, we could incur additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication, or resolution of any disputes, could have a material impact on our consolidated financial position and results of operations.

A regional or global health pandemic could severely affect our business.

A health pandemic is a disease outbreak that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. If a regional or global health pandemic occurs, depending upon its duration, location, and severity, our business could be severely affected. Generally, we are viewed by our customers as a high-quality, friendly, all day destination where people can gather with family, friends, and business colleagues. Customers may avoid public gathering places in the event of a health pandemic, and local, regional, or national governments might limit or ban public gatherings to halt or delay the spread of disease. A regional or global health pandemic might also adversely impact our business by disrupting or delaying production and delivery of ingredients and products in our supply chain and by causing staffing shortages in our bakery-cafes.

Regional factors could negatively impact our consolidated results of operations.

There are several states in which we, our franchisees, or both, own and operate a significant number of bakery-cafes. As a result, the economic conditions, state and local laws, government regulations, and weather conditions affecting those particular states, or a geographic region generally, may have a material impact upon our consolidated results of operations.

If we are unable to continue to repurchase our stock consistent with investor expectations, our earnings per share growth rate and stock price may be negatively affected.

Our stock repurchase program could require the use of a significant portion of or exceed our cash flow. Our ability to repurchase stock will depend on our ability to generate sufficient cash flows from operations in the future or to borrow money from available lending sources. Any failure to repurchase stock following an announcement of our intention to do so could negatively impact our earnings per share growth rate and potentially our stock price.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease nearly all of our bakery-cafe locations, fresh dough facilities, and support centers.

The square footage of our Company-owned leased fresh dough facilities as of December 29, 2015 is set forth below:

Facility	Square Footage
Albuquerque, NM	1,800
Atlanta, GA	26,000
Beltsville, MD	35,700
Chandler, AZ	7,500
Chicago, IL	52,000
Cincinnati, OH	32,000
Denver, CO	10,000
Detroit, MI	19,600
Fairfield, NJ	39,900
Franklin, MA (1)	50,300
Greensboro, NC	19,200
Houston, TX	20,700
Kansas City, KS	17,500
Minneapolis, MN	10,300
Miramar, FL	15,100
Ontario, CA	27,800
Orlando, FL	27,000
Seattle, WA	16,600
St. Louis, MO	30,000
Stockton, CA	15,800
Warren, OH	23,800
Ontario, Canada	16,000

(1) Total square footage includes approximately 20,000 square feet utilized for tuna and cream cheese production.

The average size of our Company-owned bakery-cafes as of December 29, 2015 was approximately 4,500 square feet. As of December 29, 2015, 1,972 bakery-cafes operated in the following locations:

Location	Company-Owned Bakery-Cafes	Franchise-Operated Bakery-Cafes	Total Bakery-Cafes
Alabama	19	3	22
Arizona	34	9	43
Arkansas	—	9	9
California	62	111	173
Colorado	—	38	38
Connecticut	19	16	35
Delaware	—	6	6
Florida	68	109	177
Georgia	21	29	50
Idaho	1	—	1
Illinois	73	38	111
Indiana	38	1	39
Iowa	3	18	21
Kansas	—	21	21
Kentucky	25	4	29
Louisiana	1	9	10
Maine	—	6	6
Maryland	—	53	53
Massachusetts	4	67	71
Michigan	53	22	75
Minnesota	24	3	27
Mississippi	—	4	4
Missouri	47	24	71
Nebraska	13	2	15
Nevada	—	7	7
New Hampshire	—	12	12
New Jersey	51	14	65
New Mexico	5	—	5
New York	54	57	111
North Carolina	44	16	60
North Dakota	4	—	4
Ohio	8	124	132
Oklahoma	—	17	17
Oregon	13	—	13
Pennsylvania	33	65	98
Rhode Island	—	8	8
South Carolina	10	11	21
South Dakota	2	—	2
Tennessee	18	20	38
Texas	28	55	83
Utah	—	6	6
Vermont	5	—	5
Virginia	71	12	83
Washington	4	25	29
West Virginia	—	11	11
Wisconsin	27	3	30
District of Columbia	8	—	8
Ontario, Canada	11	6	17
	901	1,071	1,972

Included in the number of Company-owned bakery-cafes are 12 takeout and delivery concept units. Excluded from the number of total bakery-cafes are 28 catering-only units (27 Company-owned and one franchise-operated), referred to as delivery hubs.

ITEM 3. LEGAL PROCEEDINGS

On July 2, 2014, a purported class action lawsuit was filed against one of our subsidiaries by Jason Lofstedt, a former employee of one our subsidiaries. The lawsuit was filed in the California Superior Court, County of Riverside. The complaint alleges, among other things, violations of the California Labor Code, failure to pay overtime, failure to provide meal and rest periods, and violations of California's Unfair Competition Law. The complaint seeks, among other relief, collective and class certification of the lawsuit, unspecified damages, costs and expenses, including attorneys' fees, and such other relief as the Court might find just and proper. In addition, more recently, several other purported class action lawsuits based on similar claims and seeking similar damages were filed against the subsidiary: on October 30, 2015 in the California Superior Court, County of San Bernardino by Jazmin Dabney, a former subsidiary employee; on November 3, 2015, in the United States District Court, Eastern District of California by Clara Manchester, a former subsidiary employee; and on November 30, 2015 in the California Superior Court, County of Yolo by Tanner Maginnis, a current subsidiary assistant manager. We believe our subsidiary has meritorious defenses to each of the claims in these lawsuits and we are prepared to vigorously defend the allegations therein. There can be no assurance, however, that our subsidiary will be successful, and an adverse resolution of any one of these lawsuits could have a material adverse effect on our consolidated financial position and results of operations in the period in which one or all of these lawsuits are resolved. We are not presently able to reasonably estimate potential losses, if any, related to the lawsuits.

In addition to the legal matters described above, we are subject to other routine legal proceedings, claims and litigation in the ordinary course of business. Defending lawsuits requires significant management attention and financial resources and the outcome of any litigation, including the matters described above, is inherently uncertain. We do not believe the ultimate resolution of these actions will have a material adverse effect on our consolidated financial statements. However, a significant increase in the number of these claims, or one or more successful claims under which we incur greater liabilities than is currently anticipated, could materially and adversely affect our consolidated financial statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Dividend Policy

Our Class A common stock is listed on The Nasdaq Global Select Market ("Nasdaq") under the symbol "PNRA." There is no established public trading market for our Class B common stock. For the periods indicated, the following table sets forth the quarterly high and low sale prices per share of our Class A common stock as reported by Nasdaq.

	For the fiscal year ended			
	December 29, 2015		December 30, 2014	
	High	Low	High	Low
First Quarter	$ 176.62	$ 153.68	$ 190.38	$ 164.46
Second Quarter	$ 186.80	$ 162.52	$ 173.67	$ 147.94
Third Quarter	$ 204.48	$ 174.51	$ 162.72	$ 143.35
Fourth Quarter	$ 197.68	$ 166.26	$ 176.19	$ 159.89

On February 17, 2016, the last sale price for our Class A common stock, as reported on the Nasdaq Global Select Market, was $207.03. As of February 17, 2016, we had 985 holders of record of our Class A common stock and 22 holders of record of our Class B common stock.

We periodically evaluate various options for the use of our capital, including the potential issuance of dividends. We have never paid cash dividends on our capital stock and we do not have current plans to do so.

Issuer Purchases of Equity Securities

The following table provides information regarding repurchases of our Class A common stock during the fourth quarter of fiscal 2015:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
September 30, 2015 - October 27, 2015	228,114	$ 189.41	228,100	$ 365,244,708
October 28, 2015 - December 1, 2015	331,888	$ 176.21	330,700	$ 306,972,892
December 2, 2015 - December 29, 2015	124,255	$ 189.17	124,251	$ 283,468,868
Total	684,257	$ 182.96	683,051	

(1) Includes 1,206 shares of Class A common stock surrendered by participants under the Panera Bread 2006 Stock Incentive Plan, as amended, as payment of applicable tax withholding on the vesting of restricted stock. Shares so surrendered by the participants are repurchased by us pursuant to the terms of those plans and the applicable award agreements and not pursuant to publicly announced share repurchase authorizations.

(2) Share repurchase authorization of up to $600 million of our Class A common stock approved by the Board of Directors and announced on June 5, 2014 and increased to $750 million on April 15, 2015, pursuant to which we may repurchase shares from time to time on the open market or in privately negotiated transactions and which may be made under a Rule 10b5-1 plan. Repurchased shares may be retired immediately and resume the status of authorized but unissued shares or may be held by us as treasury stock. The share repurchase authorization may be modified, suspended or discontinued by our Board of Directors at any time.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from our consolidated financial statements. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto.

	For the fiscal year ended (1) (in thousands, except per share and percentage information)				
	December 29, 2015	**December 30, 2014**	**December 31, 2013**	**December 25, 2012**	**December 27, 2011**
Revenues:					
Bakery-cafe sales, net	$ 2,358,794	$ 2,230,370	$ 2,108,908	$ 1,879,280	$ 1,592,951
Franchise royalties and fees	138,563	123,686	112,641	102,076	92,793
Fresh dough and other product sales to franchisees	184,223	175,139	163,453	148,701	136,288
Total revenues	2,681,580	2,529,195	2,385,002	2,130,057	1,822,032
Costs and expenses:					
Bakery-cafe expenses:					
Cost of food and paper products	$ 715,502	$ 669,860	$ 625,622	$ 552,580	$ 470,398
Labor	754,646	685,576	625,457	559,446	484,014
Occupancy	169,998	159,794	148,816	130,793	115,290
Other operating expenses	334,635	314,879	295,539	256,029	216,237
Total bakery-cafe expenses	1,974,781	1,830,109	1,695,434	1,498,848	1,285,939
Fresh dough and other product cost of sales to franchisees	160,706	152,267	142,160	131,006	116,267
Depreciation and amortization	135,398	124,109	106,523	90,939	79,899
General and administrative expenses	142,904	138,060	123,335	117,932	113,083
Pre-opening expenses	9,089	8,707	7,794	8,462	6,585
Refranchising loss	17,108	—	—	—	—
Total costs and expenses	2,439,986	2,253,252	2,075,246	1,847,187	1,601,773
Operating profit	241,594	275,943	309,756	282,870	220,259
Interest expense	3,830	1,824	1,053	1,082	822
Other (income) expense, net	1,192	(3,175)	(4,017)	(1,208)	(466)
Income before income taxes	236,572	277,294	312,720	282,996	219,903
Income taxes	87,247	98,001	116,551	109,548	83,951
Net income	149,325	179,293	196,169	173,448	135,952
Less: Net loss attributable to noncontrolling interest	(17)	—	—	—	—
Net income attributable to Panera Bread Company	$ 149,342	$ 179,293	$ 196,169	$ 173,448	$ 135,952
Earnings per common share attributable to Panera Bread Company:					
Basic	$ 5.81	$ 6.67	$ 6.85	$ 5.94	$ 4.59
Diluted	$ 5.79	$ 6.64	$ 6.81	$ 5.89	$ 4.55
Weighted average shares of common and common equivalent shares outstanding:					
Basic	25,685	26,881	28,629	29,217	29,601
Diluted	25,788	26,999	28,794	29,455	29,903

	For the fiscal year ended (1) (in thousands, except per share and percentage information)				
	December 29, 2015	December 30, 2014	December 31, 2013	December 25, 2012	December 27, 2011
Consolidated balance sheet data:					
Cash and cash equivalents	$ 241,886	$ 196,493	$ 125,245	$ 297,141	$ 222,640
Trade and other accounts receivable	115,786	106,653	84,602	86,262	54,709
Property and equipment, net	776,248	787,294	669,409	571,754	492,022
Total assets	1,475,318	1,390,686	1,180,862	1,268,163	1,027,322
Current liabilities	399,443	352,712	303,325	277,540	238,334
Long-term liabilities	574,594	301,790	177,645	168,704	133,912
Redeemable noncontrolling interest	3,981	—	—	—	—
Stockholders' equity	497,300	736,184	699,892	821,919	655,076
Franchisee revenues (2)	$ 2,477,963	$ 2,281,755	$ 2,175,155	$ 1,981,674	$ 1,828,188
Comparable net bakery-cafe sales percentage for (2)(3):					
Company-owned bakery-cafes	3.0%	1.4%	2.6%	6.5%	4.9%
Franchise-operated bakery-cafes	1.0%	0.9%	2.0%	5.0%	3.4%
Bakery-cafe data:					
Company-owned bakery-cafes open	901	925	867	809	740
Franchise-operated bakery-cafes open	1,071	955	910	843	801
Total bakery-cafes open	1,972	1,880	1,777	1,652	1,541

(1) The fiscal year ended December 31, 2013, or fiscal 2013, was a 53 week year consisting of 371 days. All other fiscal years presented contained 52 weeks consisting of 364 days.

(2) We do not record franchise-operated net bakery-cafe sales as revenues. However, royalty revenues are calculated based on a percentage of franchise-operated net bakery-cafe sales, as reported by franchisees. We use franchise-operated and system-wide sales information internally in connection with store development decisions, planning, and budgeting analyses. We believe franchise-operated and system-wide sales information is useful in assessing consumer acceptance of our brand, facilitates an understanding of financial performance and the overall direction and trends of sales and operating income, helps us appreciate the effectiveness of our advertising and marketing initiatives to which our franchisees also contribute based on a percentage of their sales, and provides information that is relevant for comparison within the industry.

(3) Comparable net bakery-cafe sales information above for the fiscal year ended December 30, 2014, or fiscal 2014, reflects a calendar basis comparison. We believe that calendar basis comparable net bakery-cafe sales percentages better reflects the performance of the business as it eliminates the impact of the extra week in fiscal 2013 and compares consistent calendar weeks. Comparable net bakery-cafe sales information above for fiscal 2013 reflects a comparative 53 week period in fiscal 2012 (52 weeks in fiscal 2012 plus week one of fiscal 2013).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Our revenues are derived from Company-owned net bakery-cafe sales, fresh dough and other product sales to franchisees, and franchise royalties and fees. Fresh dough and other product sales to franchisees are primarily comprised of sales of fresh dough, produce, tuna, and cream cheese to certain of our franchisees. Franchise royalties and fees include royalty income and franchise fees, which include fees for development and real estate services and information technology services. The cost of food and paper products, labor, occupancy, and other operating expenses relate primarily to Company-owned net bakery-cafe sales. The cost of fresh dough and other product sales to franchisees relates primarily to the sale of fresh dough, produce, tuna, and cream cheese to certain of our franchisees. General and administrative, depreciation and amortization, and pre-opening expenses relate to all areas of revenue generation.

Our fiscal year ends on the last Tuesday in December. The fiscal years ended December 29, 2015 and December 30, 2014 each had 52 weeks. The fiscal year ended December 31, 2013 had 53 weeks with the fourth quarter comprising 14 weeks.

We include in this report information on Company-owned, franchise-operated, and system-wide comparable net bakery-cafe sales percentages. Bakery-cafes in our comparable net bakery-cafe sales percentages include those bakery-cafes with an open date prior to the first day of our prior fiscal year, which we refer to as our base store bakery-cafes. Company-owned comparable net bakery-cafe sales percentages are based on net sales from Company-owned base store bakery-cafes. Franchise-operated comparable net bakery-cafe sales percentages are based on net sales from franchise-operated base store bakery-cafes, as reported by franchisees. System-wide comparable net bakery-cafe sales percentages are based on net sales at Company-owned and franchise-operated base store bakery-cafes. Acquired Company-owned and franchise-operated bakery-cafes and other restaurant or bakery-cafe concepts are included in our comparable net bakery-cafe sales percentages only if we or our franchisee previously held or acquired a 100 percent ownership interest prior to the first day of our prior fiscal year. Comparable net bakery-cafe sales exclude closed locations.

We do not record franchise-operated net bakery-cafe sales as revenues. However, royalty revenues are calculated based on a percentage of franchise-operated net bakery-cafe sales, as reported by franchisees. We use franchise-operated and system-wide sales information internally in connection with store development decisions, planning, and budgeting analyses. We believe franchise-operated and system-wide sales information is useful in assessing consumer acceptance of our brand, facilitates an understanding of our financial performance and the overall direction and trends of sales and operating income, helps us appreciate the effectiveness of our advertising and marketing initiatives, to which our franchisees also contribute based on a percentage of their net sales, and provides information that is relevant for comparison within the industry.

We also include in this report information on Company-owned, franchise-operated, and system-wide average weekly net sales. Average weekly net sales are calculated by dividing total net sales in the period by operating weeks in the period. Accordingly, year-over-year results reflect sales for all locations, whereas comparable net bakery-cafe sales exclude closed locations and are based on sales only from our base store bakery-cafes. New stores typically experience an opening "honeymoon" period during which they generate higher average weekly net sales in the first 12 to 16 weeks after opening, after which customers "settle-in" to normal usage patterns. On average, average weekly net sales during the "settle-in" period are 5 percent to 10 percent less than during the "honeymoon" period. As a result, year-over-year results of average weekly net sales are generally lower than the results in comparable net bakery-cafe sales. This results from the relationship of the number of bakery-cafes in the "honeymoon" period, the number of bakery-cafes in the "settle-in" period, and the number of bakery-cafes in the comparable bakery-cafe base.

Executive Summary of Results

Overview

- Total revenues increased 6.0 percent to $2,682 million in fiscal 2015 compared to $2,529 million in fiscal 2014.
- Fiscal 2015 Company-owned comparable net bakery-cafe growth of 3.0 percent comprised of year-over-year average check growth of 2.2 percent and transaction growth of 0.8 percent.
- Earnings per diluted share for fiscal 2015 was $5.79 compared to earnings per diluted share of $6.64 in fiscal 2014. Included in earnings per diluted share for fiscal 2015 were charges related to our refranchising initiative of $0.42 per diluted share. Included in earnings per diluted share for fiscal 2014 was a total benefit of $0.16 per diluted share from the favorable resolution of an insurance coverage matter, additional federal tax credits, and an increased deduction for domestic production activities, and a goodwill impairment charge of $0.05 per diluted share.
- Completed the conversion of 304 bakery-cafes to Panera 2.0 during fiscal 2015, bringing the total number of conversions to 410.
- Completed the refranchising of 75 Company-owned bakery-cafes during fiscal 2015 for proceeds of $47 million.
- We returned $400 million to our stockholders in fiscal 2015 through share repurchases compared to $154 million in fiscal 2014.

Consolidated Statements of Income Margin Analysis

The following table sets forth the percentage relationship to total revenues, except where otherwise indicated, of certain items included in our Consolidated Statements of Income for the periods indicated. Percentages may not add due to rounding:

	For the fiscal year ended		
	December 29, 2015	**December 30, 2014**	**December 31, 2013**
Revenues:			
Bakery-cafe sales, net	88.0%	88.2%	88.4%
Franchise royalties and fees	5.2	4.9	4.7
Fresh dough and other product sales to franchisees	6.9	6.9	6.9
Total revenue	100.0%	100.0%	100.0%
Costs and expenses:			
Bakery-cafe expenses (1):			
Cost of food and paper products	30.3%	30.0%	29.7%
Labor	32.0	30.7	29.7
Occupancy	7.2	7.2	7.1
Other operating expenses	14.2	14.1	14.0
Total bakery-cafe expenses	83.7	82.1	80.4
Fresh dough and other product cost of sales to franchisees (2)	87.2	86.9	87.0
Depreciation and amortization	5.0	4.9	4.5
General and administrative expenses	5.3	5.5	5.2
Pre-opening expenses	0.3	0.3	0.3
Refranchising loss	0.6	—	—
Total costs and expenses	91.0	89.1	87.0
Operating profit	9.0	10.9	13.0
Interest expense	0.1	0.1	—
Other (income) expense, net	—	(0.1)	(0.2)
Income before income taxes	8.8	11.0	13.1
Income taxes	3.3	3.9	4.9
Net income	5.6%	7.1%	8.2%

(1) As a percentage of net bakery-cafe sales.

(2) As a percentage of fresh dough and other product sales to franchisees.

Bakery-cafe Composition

The following table sets forth certain bakery-cafe data relating to Company-owned and franchise-operated bakery-cafes for the periods indicated:

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Number of bakery-cafes:			
Company-owned:			
Beginning of period	925	867	809
Bakery-cafes opened	57	65	63
Bakery-cafes closed	(6)	(7)	(6)
Bakery-cafes acquired from franchisees (1)	—	—	1
Bakery-cafes refranchised (2)	(75)	—	—
End of period	901	925	867
Franchise-operated:			
Beginning of period	955	910	843
Bakery-cafes opened	55	49	70
Bakery-cafes closed	(14)	(4)	(2)
Bakery-cafes acquired by Company (1)	—	—	(1)
Bakery-cafes refranchised (2)	75	—	—
End of period	1,071	955	910
System-wide:			
Beginning of period	1,880	1,777	1,652
Bakery-cafes opened	112	114	133
Bakery-cafes closed	(20)	(11)	(8)
End of period (3)	1,972	1,880	1,777

(1) In April 2013, we acquired one bakery-cafe from a Florida franchisee.
(2) In March 2015, we refranchised one bakery-cafe to an existing franchisee. In July 2015, we refranchised 29 bakery-cafes to an existing franchisee. In October 2015, we refranchised 45 bakery-cafes to a new franchisee.
(3) Excluded from the number of total bakery-cafes were 28, 22, and six catering-only units, referred to as delivery hubs, as of the fiscal years ended December 29, 2015, December 30, 2014, and December 31, 2013, respectively.

Comparable Net Bakery-cafe Sales

Comparable net bakery-cafe sales growth for the periods indicated was as follows:

	For the fiscal year ended		
	December 29, 2015	December 30, 2014 (1)	December 31, 2013 (2)
Company-owned	3.0%	1.4%	2.6%
Franchise-operated	1.0%	0.9%	2.0%
System-wide	1.9%	1.1%	2.3%

(1) Comparable net bakery-cafe sales for fiscal 2014 reflects a calendar basis comparison. We believe that calendar basis comparable net bakery-cafe sales percentages better reflects the performance of the business as it eliminates the impact of the extra week in fiscal 2013 and compares consistent calendar weeks.

(2) Comparable net bakery-cafe sales for fiscal 2013 adjusted to reflect a comparative 53 week period in fiscal 2012 (52 weeks in fiscal 2012 plus week one of fiscal 2013).

The following table summarizes the composition of comparable Company-owned net bakery-cafe sales growth for the periods indicated:

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Price	1.9%	1.0%	1.8 %
Mix	0.3%	0.3%	2.0 %
Average check	2.2%	1.3%	3.8 %
Transactions	0.8%	0.1%	(1.2)%
Company-owned comparable net bakery-cafe sales growth	3.0%	1.4%	2.6 %

The increase in transactions during fiscal 2015 was due to a variety of factors, including, but not limited to, the effectiveness of our new marketing campaign and momentum from our strategic initiatives, partially offset by severe weather. Price growth in fiscal 2015 was 1.9%, as retail prices were adjusted in anticipation of labor and food cost inflation. The increase in mix in fiscal 2015 was primarily due to higher catering sales growth, more items per check, and increased sales of higher-priced items.

Fiscal 2016 Outlook

We are targeting full year fiscal 2016 diluted earnings per share growth of 2% to 5% when compared to full year fiscal 2015, excluding the impact of one-time charges. The diluted earnings per share target range is based on anticipated Company-owned comparable net bakery-cafe sales growth for fiscal 2016 of 3.5% to 4.5%. We also expect operating margin will be down 50 to 100 basis points when compared to fiscal 2015 which reflects startup and transition costs associated with our initiatives, excluding the impact of one-time charges.

In fiscal 2016, we anticipate opening 90 to 100 bakery-cafes system-wide and expect average weekly net sales for new Company-owned bakery-cafes of $45,000 to $47,000.

Results of Operations

Revenues

The following table summarizes revenues for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	December 30, 2014	December 31, 2013	% Change in 2015	% Change in 2014
Bakery-cafe sales, net	$ 2,358,794	$ 2,230,370	$ 2,108,908	5.8%	5.8%
Franchise royalties and fees	138,563	123,686	112,641	12.0%	9.8%
Fresh dough and other product sales to franchisees	184,223	175,139	163,453	5.2%	7.1%
Total revenue	$ 2,681,580	$ 2,529,195	$ 2,385,002	6.0%	6.0%
System-wide average weekly net sales	$ 48,357	$ 47,655	$ 47,403	1.5%	0.5%

The growth in total revenues in fiscal 2015 compared to the prior fiscal year was primarily due to the opening of 112 new bakery-cafes system-wide and the 1.9 percent increase in system-wide comparable net bakery-cafe sales in fiscal 2015, partially offset by the refranchising of 75 bakery-cafes and the closure of 20 bakery-cafes system-wide in fiscal 2015.

The growth in total revenues in fiscal 2014 compared to the prior fiscal year was primarily due to the opening of 114 new bakery-cafes system-wide and the 1.1 percent increase in system-wide comparable net bakery-cafe sales in fiscal 2014 on a calendar basis, partially offset by the closure of 11 bakery-cafes system-wide in fiscal 2014 and the impact of the additional week in fiscal 2013, which contributed total revenues of approximately $35.0 million.

Bakery-cafe sales, net

The following table summarizes net bakery-cafe sales for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	December 30, 2014	December 31, 2013	% Change in 2015	% Change in 2014
Bakery-cafe sales, net	$ 2,358,794	$ 2,230,370	$ 2,108,908	5.8%	5.8%
As a percentage of total revenue	88.0%	88.2%	88.4%		
Company-owned average weekly net sales	$ 49,090	$ 48,114	$ 47,741	2.0%	0.8%
Company-owned number of operating weeks	48,041	46,356	44,173	3.6%	4.9%

The increase in net bakery-cafe sales in fiscal 2015 compared to the prior fiscal year was primarily due to the opening of 57 new Company-owned bakery-cafes and the 3.0 percent increase in Company-owned comparable net bakery-cafe sales in fiscal 2015, partially offset by the refranchising of 75 bakery-cafes and the closure of six Company-owned bakery-cafes in fiscal 2015.

The increase in net bakery-cafe sales in fiscal 2014 compared to the prior fiscal year was primarily due to the opening of 65 new Company-owned bakery-cafes and the 1.4 percent increase in Company-owned comparable net bakery-cafe sales in fiscal 2014 on a calendar basis, partially offset by the closure of seven Company-owned bakery-cafes in fiscal 2014 and the impact of the additional week in fiscal 2013, which contributed net bakery-cafes sales of approximately $29.8 million.

The increase in average weekly net sales for Company-owned bakery-cafes in fiscal 2015 compared to the prior fiscal year was primarily due to the impact of new marketing initiatives and price increases in fiscal 2015, partially offset by modestly lower average weekly sales in fiscal 2015 for bakery-cafes opened in fiscal 2014.

The increase in average weekly net sales for Company-owned bakery-cafes in fiscal 2014 compared to the prior fiscal year was primarily due to average check growth that resulted from retail price increases and our category management initiatives, partially offset by lower average weekly sales in fiscal 2014 for bakery-cafes opened in fiscal 2013.

Franchise royalties and fees

The following table summarizes franchise royalties and fees for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	December 30, 2014	December 31, 2013	% Change in 2015	% Change in 2014
Franchise royalties	$ 134,576	$ 120,125	$ 110,461	12.0%	8.7%
Franchise fees	3,987	3,561	2,180	12.0%	63.3%
Total	$ 138,563	$ 123,686	$ 112,641	12.0%	9.8%
Franchise-operated average weekly net sales	$ 47,680	$ 47,215	$ 47,079	1.0%	0.3%
Franchise-operated number of operating weeks	51,970	48,327	46,202	7.5%	4.6%

The increase in franchise royalty and fee revenues in fiscal 2015 compared to the prior fiscal year was primarily due to the opening of 55 franchise-operated bakery-cafes, the refranchising of 75 bakery-cafes, increased information technology fees, and the 1.0 percent increase in franchise-operated comparable net bakery-cafe sales in fiscal 2015, partially offset by the closure of 14 franchise-operated bakery-cafes in fiscal 2015.

The increase in franchise royalty and fee revenues in fiscal 2014 compared to the prior fiscal year was primarily due to the opening of 49 franchise-operated bakery-cafes, increased information technology fees, and the 0.9 percent increase in franchise-operated comparable net bakery-cafe sales in fiscal 2014 on a calendar basis, partially offset by the impact of the additional week in fiscal 2013, which contributed franchise royalties and fees of approximately $2.4 million.

As of December 29, 2015, there were 1,071 franchise-operated bakery-cafes open and we have received commitments to open 128 additional franchise-operated bakery-cafes. The timetables for opening these bakery-cafes are established in their respective Area Development Agreements, or ADAs, with franchisees, which provide for the majority of these bakery-cafes to open within the next five years. An ADA requires a franchisee to develop a specified number of bakery-cafes by specified dates. If a franchisee fails to develop bakery-cafes on the schedule set forth in the ADA, we have the right to terminate the ADA and develop Company-owned locations or develop locations through new franchisees in that market. We may exercise one or more alternative remedies to address defaults by franchisees, including not only development defaults, but also defaults in complying with our operating and brand standards and other covenants included in the ADAs and franchise agreements. We may waive compliance with certain requirements under its ADAs and franchise agreements if we determine that such action is warranted under the particular circumstances.

Fresh dough and other product sales to franchisees

The following table summarizes fresh dough and other product sales to franchisees for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	December 30, 2014	December 31, 2013	% Change in 2015	% Change in 2014
Fresh dough and other product sales to franchisees	$ 184,223	$ 175,139	$ 163,453	5.2%	7.1%

The increase in fresh dough and other product sales to franchisees in fiscal 2015 compared to the prior fiscal year was primarily due to the opening of 55 franchise-operated bakery-cafes, the refranchising of 75 bakery-cafes, and the 1.0 percent increase in franchise-operated comparable net bakery-cafe sales in fiscal 2015.

The increase in fresh dough and other product sales to franchisees in fiscal 2014 compared to the prior fiscal year was primarily due to the opening of 49 franchise-operated bakery-cafes and the 0.9 percent increase in franchise-operated comparable net bakery-cafe sales on a calendar basis, partially offset by the impact of the additional week in fiscal 2013, which contributed fresh dough and other product sales to franchisees of approximately $2.8 million.

Costs and Expenses

The cost of food and paper products includes the costs associated with our fresh dough and other product operations that sell fresh dough and other products to Company-owned bakery-cafes, as well as the cost of food and paper products supplied by third-party vendors and distributors. The costs associated with our fresh dough and other product operations that sell fresh dough and other products to the franchise-operated bakery-cafes are excluded from the cost of food and paper products and are shown separately as fresh dough and other product cost of sales to franchisees in the Consolidated Statements of Income.

Cost of food and paper products

The following table summarizes cost of food and paper products for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	December 30, 2014	December 31, 2013	% Change in 2015	% Change in 2014
Cost of food and paper products	$ 715,502	$ 669,860	$ 625,622	6.8%	7.1%
As a percentage of bakery-cafe sales, net	30.3%	30.0%	29.7%		

The increase in the cost of food and paper products in fiscal 2015 as a percentage of net bakery-cafe sales was primarily due to food cost inflation and a shift in product mix towards higher ingredient cost products, partially offset by improved leverage of our fresh dough manufacturing costs due to an increase in bakery-cafes per fresh dough facility.

The increase in the cost of food and paper products in fiscal 2014 as a percentage of net bakery-cafe sales was primarily due to higher ingredient costs, including, but not limited to, increases in the costs of butter, avocados, and bacon, partially offset by improved leverage of our fresh dough manufacturing costs due to an increase in bakery-cafes per fresh dough facility.

Labor

The following table summarizes labor expense for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	December 30, 2014	December 31, 2013	% Change in 2015	% Change in 2014
Labor expense	$ 754,646	$ 685,576	$ 625,457	10.1%	9.6%
As a percentage of bakery-cafe sales, net	32.0%	30.7%	29.7%		

The increase in labor expense in fiscal 2015 as a percentage of net bakery-cafe sales was primarily a result of increased labor supporting ongoing operational initiatives and wage inflation.

The increase in labor expense in fiscal 2014 as a percentage of net bakery-cafe sales was primarily a result of adding additional labor hours, as well as employees, in the bakery-cafes and related training costs, both to support ongoing operational initiatives, partially offset by lower manager bonus expense.

Occupancy

The following table summarizes occupancy cost for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	December 30, 2014	December 31, 2013	% Change in 2015	% Change in 2014
Occupancy	$ 169,998	$ 159,794	$ 148,816	6.4%	7.4%
As a percentage of bakery-cafe sales, net	7.2%	7.2%	7.1%		

Occupancy costs in fiscal 2015 as a percentage of net bakery-cafe sales remained consistent compared to fiscal 2014 as modestly higher common area maintenance costs were offset by improved leverage from higher comparable net bakery-cafe sales.

The increase in occupancy costs in fiscal 2014 as a percentage of net bakery-cafe sales was primarily a result of modestly higher average occupancy costs in new bakery-cafes and higher real estate taxes.

Other operating expenses

The following table summarizes other operating expenses for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	December 30, 2014	December 31, 2013	% Change in 2015	% Change in 2014
Other operating expenses	$ 334,635	$ 314,879	$ 295,539	6.3%	6.5%
As a percentage of bakery-cafe sales, net	14.2%	14.1%	14.0%		

The increase in other operating expenses in fiscal 2015 as a percentage of net bakery-cafe sales was primarily the result of increased credit card processing expenses, partially offset by a recovery received from a vendor.

The increase in other operating expenses in fiscal 2014 as a percentage of net bakery-cafe sales was primarily the result of increased marketing expense, partially offset by lower controllable expenses.

Fresh dough and other product cost of sales to franchisees

The following table summarizes fresh dough and other product cost of sales to franchisees for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	**December 30, 2014**	**December 31, 2013**	**% Change in 2015**	**% Change in 2014**
Fresh dough and other product cost of sales to franchisees	$ 160,706	$ 152,267	$ 142,160	5.5%	7.1%
As a percentage of fresh dough and other product sales to franchisees	87.2%	86.9%	87.0%		

The increase in fresh dough and other product cost of sales to franchisees in fiscal 2015 as a percentage of fresh dough and other product sales to franchisees was primarily the result of higher year-over-year sales of zero margin fresh produce to franchisees, partially offset by modestly lower wheat and fuel costs.

The decrease in fresh dough and other product cost of sales to franchisees in fiscal 2014 as a percentage of fresh dough and other product sales to franchisees was primarily the result of modestly lower wheat costs, partially offset by higher year-over-year sales of zero margin fresh produce to franchisees.

Depreciation and amortization

The following table summarizes depreciation and amortization for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	**December 30, 2014**	**December 31, 2013**	**% Change in 2015**	**% Change in 2014**
Depreciation and amortization	$ 135,398	$ 124,109	$ 106,523	9.1%	16.5%
As a percentage of total revenues	5.0%	4.9%	4.5%		

The increase in depreciation and amortization as a percentage of total revenues in fiscal 2015 was primarily the result of increased depreciation on investments in bakery-cafes and support centers to support ongoing operational initiatives, partially offset by the cessation of depreciation on assets classified as held for sale.

The increase in depreciation and amortization as a percentage of total revenues in fiscal 2014 was primarily the result of increased depreciation on investments in bakery-cafes and support centers to support ongoing operational initiatives.

General and administrative expenses

The following table summarizes general and administrative expenses for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	**December 30, 2014**	**December 31, 2013**	**% Change in 2015**	**% Change in 2014**
General and administrative expenses	$ 142,904	$ 138,060	$ 123,335	3.5%	11.9%
As a percentage of total revenues	5.3%	5.5%	5.2%		

The decrease in general and administrative expenses in fiscal 2015 as a percentage of total revenues was primarily a result of lower corporate overhead expenses reflecting our previously announced initiative to reduce core general and administrative expenses in fiscal 2015.

The increase in general and administrative expenses in fiscal 2014 as a percentage of total revenues was primarily due to an increase in headcount to support ongoing operational initiatives, partially offset by lower incentive compensation.

Refranchising loss

In February 2015, we announced a plan to refranchise approximately 50 to 150 bakery-cafes by the end of fiscal 2015. As of December 29, 2015, we had completed the refranchising of 75 bakery-cafes and classified as held for sale the assets and certain liabilities of 35 bakery-cafes we expect to sell during the next 12 months.

The following table summarizes activity associated with the refranchising initiative for fiscal 2015 (dollars in thousands):

	For the fiscal year ended December 29, 2015
Loss on assets held for sale	$ 10,999
Impairment of long-lived assets and lease termination costs	5,461
Professional fees and severance	1,088
Gain on sale of bakery-cafes	(440)
Refranchising loss	$ 17,108

During fiscal 2015, we recorded losses on assets held for sale of $11.0 million. We also recognized impairment losses and lease termination costs totaling $5.5 million during fiscal 2015 related to certain under-performing bakery-cafes. On March 3, 2015, we sold substantially all of the assets of one bakery-cafe to an existing franchisee for cash proceeds of approximately $3.2 million, which resulted in a gain on sale of approximately $2.6 million. On July 14, 2015, we sold substantially all of the assets of 29 bakery-cafes in the Boston market to an existing franchisee for a purchase price of approximately $19.6 million, including $0.5 million for inventory on hand, with $2.0 million held in escrow for certain holdbacks, and recognized a loss on sale of $0.6 million. On October 7, 2015, we sold substantially all of the assets of 45 bakery-cafes in the Seattle and Northern California markets to a new franchisee for a purchase price of approximately $26.8 million, including $0.9 million for inventory on hand, and recognized a loss on sale of $1.6 million.

Other (income) expense, net

Other (income) expense, net in fiscal 2015 decreased to $1.2 million of expense from $3.2 million of income in fiscal 2014. Other (income) expense, net for fiscal 2015 was primarily comprised of immaterial items. Other (income) expense, net for fiscal 2014 was primarily comprised of a $3.2 million benefit from a favorable resolution of an insurance coverage matter and other immaterial items, partially offset by a goodwill impairment charge of $2.1 million.

Other (income) expense, net in fiscal 2014 decreased to $3.2 million of income from $4.0 million of income in fiscal 2013. Other (income) expense, net for fiscal 2014 was primarily comprised of a $3.2 million benefit from a favorable resolution of an insurance coverage matter and other immaterial items, partially offset by a goodwill impairment charge of $2.1 million. Other (income) expense, net for fiscal 2013 was primarily comprised of a $2.2 million benefit from favorable resolution of legal and sales and use tax matters, and immaterial items.

Income taxes

The following table summarizes income taxes for the periods indicated (dollars in thousands):

	For the fiscal year ended				
	December 29, 2015	December 30, 2014	December 31, 2013	% Change in 2015	% Change in 2014
Income taxes	$ 87,247	$ 98,001	$ 116,551	(11.0)%	(15.9)%
Effective tax rate	36.9%	35.3%	37.3%		

The increase in the effective tax rate from fiscal 2014 to fiscal 2015 was primarily driven by certain discrete income tax benefits reported during fiscal 2014 related to additional federal and state tax credits and an increased deduction for domestic production activities. The decrease in the effective tax rate from fiscal 2013 to fiscal 2014 was primarily driven by certain discrete income tax benefit items reported during fiscal 2014 related to additional federal and state tax credits and an increased deduction for domestic production activities.

Liquidity and Capital Resources

Cash and cash equivalents were $241.9 million at December 29, 2015 compared to $196.5 million at December 30, 2014. This $45.4 million increase was primarily a result of cash generated from operations of $318.0 million, proceeds from the issuance of long-term debt of $299 million, and proceeds from refranchising, sale-leaseback transactions, and the sale of property and equipment totaling $58.5 million, partially offset by the use of $405.5 million to repurchase shares of our Class A common stock and capital expenditures of $223.9 million. We finance our activities through cash flow generated through operations and term loan borrowings. We also have the ability to further borrow up to $250 million under a credit facility, as described below. Historically, our principal requirements for cash have primarily resulted from the cost of food and paper products, employee labor, the repurchase of shares of our Class A common stock, and our capital expenditures for the development of new Company-owned bakery-cafes, for maintaining or remodeling existing Company-owned bakery-cafes, for purchasing existing franchise-operated bakery-cafes or ownership interests in other restaurant or bakery-cafe concepts, for developing, maintaining, or remodeling fresh dough facilities, and for other capital needs such as enhancements to information systems and other infrastructure to support ongoing operational initiatives.

Excluding assets held for sale and liabilities associated with assets held for sale, we had positive working capital of $77.6 million at December 29, 2015 compared to positive working capital of $53.5 million at December 30, 2014. The increase in working capital resulted primarily from the previously described increase in cash and cash equivalents of $45.4 million, an increase in trade and other accounts receivable of $9.1 million, and an increase in prepaid expenses and other of $7.9 million, partially offset by an increase in accrued expenses of $26.3 million and the $17.2 million balance at December 29, 2015 of the current portion of long-term debt. We believe that cash provided by our operations, our term loan borrowings, and available borrowings under our credit facility will be sufficient to fund our cash requirements for the foreseeable future. We have not required significant working capital because customers generally pay using cash or credit and debit cards and because our operations do not require significant receivables, nor do they require significant inventories due, in part, to our use of various fresh ingredients.

A summary of our cash flows, for the periods indicated, are as follows (in thousands):

	For the fiscal year ended		
Cash provided by (used in):	**December 29, 2015**	**December 30, 2014**	**December 31, 2013**
Operating activities	$ 318,045	$ 335,079	$ 348,417
Investing activities	(165,415)	(211,317)	(188,307)
Financing activities	(107,237)	(52,514)	(332,006)
Net increase (decrease) in cash and cash equivalents	$ 45,393	$ 71,248	$ (171,896)

Operating Activities

Cash provided by operating activities was $318.0 million, $335.1 million, and $348.4 million in fiscal 2015, fiscal 2014, and fiscal 2013, respectively. Cash provided by operating activities consists primarily of net income, adjusted for non-cash expenses such as depreciation and amortization, and the net change in operating assets and liabilities.

Cash provided by operating activities in fiscal 2015 consisted primarily of net income adjusted for non-cash expenses, including charges related to our refranchising initiative, and an increase in accrued expenses, partially offset by a decrease in the net deferred income tax liability and an increase in prepaid expenses and other. The increase in accrued expenses was primarily due to an increase in the balance of outstanding gift cards. The decrease in the net deferred income tax liability relates primarily to tax depreciation. The increase in prepaid expenses was primarily due to an increase in prepaid insurance amounts.

Cash provided by operating activities in fiscal 2014 consisted primarily of net income adjusted for non-cash expenses and an increase in accrued expenses, partially offset by an increase in trade and other accounts receivable. The increase in accrued expenses was primarily due to an increase in the balance of outstanding gift cards. The increase in trade and other accounts receivable was primarily due to an increase in refundable income taxes due to the timing of payments and an increase in other receivables.

Cash provided by operating activities in fiscal 2013 consisted primarily of net income adjusted for non-cash expenses and an increase in accrued expenses and accounts payable. The increase in accrued expenses was primarily due to an increase in the balance of outstanding gift cards. The increase in accounts payable was primarily due to the timing of payments.

Investing Activities

Cash used in investing activities was $165.4 million, $211.3 million, and $188.3 million in fiscal 2015, fiscal 2014, and fiscal 2013, respectively. Investing activities consists primarily of capital expenditures, proceeds from the refranchising of Company-owned bakery-cafes, the sale and leaseback of bakery-cafes, and the sale of property and equipment.

Capital Expenditures

Capital expenditures are the largest ongoing component of our investing activities. New and existing bakery-cafe expenditures include costs related to the opening of bakery-cafes and delivery hubs, to remodel and maintain bakery-cafes, and to upgrade systems and equipment in bakery-cafes. Fresh dough facility expenditures include costs related to the opening of new fresh dough facilities and costs to expand, remodel and maintain existing facilities. Support center expenditures primarily include investments in technology infrastructure to create the capabilities needed to support ongoing operational initiatives and costs related to enterprise systems and other capital needs. Capital expenditures, for the periods indicated, were as follows (in thousands):

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
New bakery-cafes	$ 115,552	$ 109,941	$ 90,409
Existing bakery-cafes	59,081	57,915	63,175
Fresh dough facilities	12,175	12,178	11,461
Support centers and IT infrastructure	37,124	44,183	26,965
Total	$ 223,932	$ 224,217	$ 192,010

Our capital requirements have been and will continue to be significant. Our future capital requirements and the adequacy of available funds will depend on many factors, including the pace of expansion, real estate markets, site locations, the nature of the arrangements negotiated with landlords, and the extent of operational initiatives. We believe that cash provided by our operations, our term loan borrowings, and available borrowings under our credit facility will be sufficient to fund our capital requirements in both our short-term and long-term future. We currently anticipate capital expenditures of $200 million to $225 million in fiscal 2016.

Sale-Leaseback Transactions

During fiscal 2015, fiscal 2014, and fiscal 2013, we completed sale-leaseback transactions for four, six, and three Company-owned bakery-cafes, respectively, resulting in cash proceeds of $10.1 million, $12.9 million, and $6.1 million, respectively.

Financing Activities

Cash used in financing activities was $107.2 million, $52.5 million, and $332.0 million in fiscal 2015, fiscal 2014, and fiscal 2013, respectively. Financing activities in fiscal 2015 consisted primarily of $405.5 million used to repurchase shares of our Class A common stock, partially offset by $299.1 million of proceeds from term loan borrowings. Financing activities in fiscal 2014 consisted primarily of $159.5 million used to repurchase shares of our Class A common stock, partially offset by $100.0 million of proceeds from term loan borrowings. Financing activities in fiscal 2013 consisted primarily of $339.4 million used to repurchase shares of our Class A common stock and $4.1 million for the payment of deferred acquisition holdbacks, partially offset by $8.1 million related to the benefit from stock-based compensation.

Share Repurchases

On August 23, 2012, our Board of Directors approved a three year share repurchase authorization of up to $600 million of our Class A common stock, which we refer to as the 2012 repurchase authorization, pursuant to which we repurchased shares on the open market under a Rule 10b5-1 plan. During fiscal 2014, we repurchased 514,357 shares under the 2012 repurchase authorization, at an average price of $170.15 per share, for an aggregate purchase price of $87.5 million. During fiscal 2013 we purchased 1,992,250 shares under the 2012 repurchase authorization, at an average price of $166.73 per share, for an aggregate purchase price of $332.1 million. On June 5, 2014, our Board of Directors terminated this repurchase authorization.

On June 5, 2014, our Board of Directors approved a new three year share repurchase authorization of up to $600 million of our Class A common stock, which we refer to as the 2014 repurchase authorization, pursuant to which we may repurchase shares from time to time on the open market or in privately negotiated transactions and which may be made under a Rule 10b5-1 plan. Repurchased shares may be retired immediately and resume the status of authorized but unissued shares or may be held by us as

treasury stock. The 2014 repurchase authorization may be modified, suspended, or discontinued by our Board at any time. During fiscal 2014, we repurchased 427,521 shares under the 2014 repurchase authorization, at an average price of $155.78 per share, for an aggregate purchase price of approximately $66.6 million. In total, during fiscal 2014, we repurchased 941,878 shares under the 2012 and 2014 repurchase authorizations, at an average price of $163.62 per share, for an aggregate purchase price of approximately $154.1 million.

On April 15, 2015, our Board of Directors approved an increase of the 2014 repurchase authorization to $750 million. During fiscal 2015, we repurchased 2,201,719 shares under the 2014 repurchase authorization, at an average price of $181.65 per share, for an aggregate purchase price of approximately $399.9 million. As of December 29, 2015, we had repurchased a total of 2,629,240 shares of our Class A common stock under this repurchase program, at an average price of $177.43 per share, for an aggregate purchase price of approximately $466.5 million. There was approximately $283.5 million available under the 2014 repurchase authorization as of December 29, 2015.

We have historically repurchased shares of our Class A common stock from participants of the Panera Bread 2006 Stock Incentive Plan, as amended, and the Panera Bread 2015 Stock Incentive Plan, or collectively, the Plans, through a share repurchase authorization approved by our Board. Repurchased shares are netted and surrendered as payment for applicable tax withholding on the vesting of participants' restricted stock. During fiscal 2015, we repurchased 28,018 shares of Class A common stock surrendered by participants of the Plans at an average price of $196.78 per share for an aggregate purchase price of approximately $5.5 million. During fiscal 2014, we repurchased 35,461 shares of Class A common stock surrendered by participants of the Plans at an average price of $151.17 per share for an aggregate purchase price of approximately $5.4 million. During fiscal 2013, we repurchased 41,601 shares of Class A common stock surrendered by participants of the Plans at an average price of $172.79 per share for an aggregate purchase price of $7.2 million. These share repurchases were made pursuant to the terms of the Plans and the applicable award agreements and were not made pursuant to publicly announced share repurchase authorizations.

Term Loans

On June 11, 2014, we entered into a term loan agreement, or the 2014 Term Loan Agreement, with Bank of America, N.A., as administrative agent, and other lenders party thereto. The 2014 Term Loan Agreement provides for an unsecured term loan in the amount of $100 million, or the 2014 Term Loan. The 2014 Term Loan is scheduled to mature on June 11, 2019, subject to acceleration upon certain specified events of default, including breaches of representations or covenants, failure to pay other material indebtedness or a change of control, as defined in the 2014 Term Loan Agreement. The 2014 Term Loan Agreement also allows us from time to time to request that the 2014 Term Loan be further increased by an amount not to exceed, in the aggregate, $150 million, subject to the arrangement of additional commitments with financial institutions acceptable to us and Bank of America and other customary terms and conditions.

On July 16, 2015, we entered into a term loan agreement, or the 2015 Term Loan Agreement, with Bank of America, N.A., as administrative agent, and other lenders party thereto. The 2015 Term Loan Agreement provides for an unsecured term loan in the amount of $300 million, or the 2015 Term Loan. The 2015 Term Loan is scheduled to mature on July 16, 2020, subject to acceleration upon certain specified events of default, including breaches of representations or covenants, failure to pay other material indebtedness or a change of control, as defined in the 2015 Term Loan Agreement.

Each of the 2014 Term Loan and 2015 Term Loan bears interest at a rate equal to, at our option, (1) the Eurodollar rate plus a margin ranging from 1.00 percent to 1.50 percent depending on our consolidated leverage ratio or (2) the highest of (a) the Bank of America prime rate, (b) the Federal funds rate plus 0.50 percent or (c) the Eurodollar rate plus 1.00 percent, plus a margin ranging from 0.00 percent to 0.50 percent depending on our consolidated leverage ratio. Our obligations under the 2014 Term Loan Agreement and the 2015 Term Loan Agreement are guaranteed by certain of our direct and indirect subsidiaries. As of December 29, 2015, there was $100.0 million and $296.3 million outstanding under the 2014 Term Loan Agreement and 2015 Term Loan Agreement, respectively.

On July 16, 2015, in order to hedge the variability in cash flows from changes in benchmark interest rates, we entered into two forward-starting interest rate swap agreements with an aggregate initial notional value of $242.5 million. The forward-starting interest rate swaps have been designated as cash flow hedging instruments.

Installment Payment Agreement

On September 15, 2015, we entered into a Master Installment Payment Agreement, or the Master IPA, with PNC Equipment Finance, LLC, or PNC, pursuant to which PNC financed our purchase of hardware, software, and services associated with new storage virtualization and disaster recovery systems. The Master IPA provides for a secured note payable in the amount of $12.7 million, or the 2015 Note Payable, payable in five annual installments beginning November 1, 2015 and each September 1st thereafter. As of December 29, 2015, there was $10.1 million outstanding under the Master IPA.

Revolving Credit Agreements

On November 30, 2012, we entered into a credit agreement, or the 2012 Credit Agreement, with Bank of America, N.A. and other lenders party thereto. The 2012 Credit Agreement provided for an unsecured revolving credit facility of $250 million that would have become due on November 30, 2017. As of December 30, 2014, we had no balance outstanding under the 2012 Credit Agreement. On July 16, 2015, we terminated the 2012 Credit Agreement and entered into a new credit agreement, or the 2015 Credit Agreement, with Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and each lender from time to time party thereto. The 2015 Credit Agreement provides for an unsecured revolving credit facility of $250 million that will become due on July 16, 2020, subject to acceleration upon certain specified events of default, including breaches of representations or covenants, failure to pay other material indebtedness or a change of control, as defined in the 2015 Credit Agreement. We may select interest rates under the credit facility equal to, at our option, (1) the Eurodollar rate plus a margin ranging from 1.00 percent to 1.50 percent depending on our consolidated leverage ratio or (2) the highest of (a) the Bank of America prime rate, (b) the Federal funds rate plus 0.50 percent or (c) the Eurodollar rate plus 1.00 percent, plus a margin ranging from 0.00 percent to 0.50 percent depending on our consolidated leverage ratio. Our obligations under the 2015 Credit Agreement are guaranteed by certain of our direct and indirect subsidiaries. The 2015 Credit Agreement allows us from time to time to request that the credit facility be further increased by an amount not to exceed, in the aggregate, $150 million, subject to the arrangement of additional commitments with financial institutions acceptable to us and Bank of America. As of December 29, 2015, we had no balance outstanding under the 2015 Credit Agreement.

The 2014 Term Loan Agreement, 2015 Term Loan Agreement and 2015 Credit Agreement contain customary affirmative and negative covenants, including covenants limiting liens, dispositions, fundamental changes, investments, indebtedness, and certain transactions and payments. In addition, such term loan and credit agreements contain various financial covenants that, among other things, require us to satisfy two financial covenants at the end of each fiscal quarter: (1) a consolidated leverage ratio less than or equal to 3.00 to 1.00, and (2) a consolidated fixed charge coverage ratio of greater than or equal to 2.00 to 1.00. As of December 29, 2015, we were, and expect to remain, in compliance with all covenant requirements.

Critical Accounting Policies & Estimates

Our discussion and analysis of our consolidated financial condition and results of operations is based upon the consolidated financial statements and notes to the consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP. The preparation of the consolidated financial statements requires us to make estimates, judgments and assumptions, which we believe to be reasonable, based on the information available. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Variances in the estimates or assumptions used to actual experience could yield materially different accounting results. On an ongoing basis, we evaluate the continued appropriateness of our accounting policies and resulting estimates to make adjustments we consider appropriate under the facts and circumstances.

We have chosen accounting policies we believe are appropriate to report accurately and fairly our consolidated operating results and financial position, and we apply those accounting policies in a consistent manner. We consider our policies on accounting for revenue recognition, valuation of goodwill, self-insurance, income taxes, lease obligations, and impairment of long-lived assets to be the most critical in the preparation of the consolidated financial statements because they involve the most difficult, subjective, or complex judgments about the effect of matters that are inherently uncertain. There have been no material changes to our application of critical accounting policies and significant judgments and estimates that occurred during fiscal 2015.

Revenue Recognition

We recognize revenues from net bakery-cafe sales upon delivery of the related food and other products to the customer. Revenues from fresh dough and other product sales to franchisees are recorded upon delivery of the fresh dough and other products to franchisees. Sales of soup and other branded products sold outside our bakery-cafes are recognized upon delivery to customers. Royalties are generally paid weekly based on a percentage of net franchisee sales specified in each ADA (generally five percent of net sales). Royalties are recognized as revenue in the period in which the sales are reported to have occurred based on contractual royalty rates applied to the net franchise sales. Franchise fees are generally the result of the sale of area development rights and the sale of individual franchise locations to third parties. The initial franchise fee is typically $35,000 per bakery-cafe to be developed under the ADA. Of this fee, $5,000 is generally paid at the time of signing of the ADA and is recognized as revenue when it is received as it is non-refundable and we have to perform no other service to earn this fee. The remainder of the fee is paid at the time an individual franchise agreement is signed and is recognized as revenue upon the opening of the corresponding bakery-cafe. Franchise fees also include information technology-related fees for access to and the usage of proprietary systems.

We maintain a customer loyalty program through which customers earn rewards based on registration in the program and purchases at our bakery-cafes. We record the full retail value of loyalty program rewards as a reduction of net bakery-cafe sales and a liability

is established within accrued expenses as rewards are earned while considering historical redemption rates. Fully earned rewards generally expire if unredeemed after 60 days. Partially earned awards generally expire if inactive for a period of one year. Costs associated with coupons are classified as a reduction of net bakery-cafe sales in the period in which the coupon is redeemed.

We sell gift cards which do not expire and from which we do not deduct non-usage fees from outstanding gift card balances. Gift cards are redeemable at both Company-owned and franchise-operated bakery-cafes. Gift cards sold by either Company-owned bakery-cafes or through wholesalers and redeemed at franchise-operated bakery-cafes reduce our gift card liability but do not result in the recognition of revenue. When gift cards are redeemed at Company-owned bakery-cafes, we recognize revenue and reduce the gift card liability. When we determine the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"), based upon our specific historical redemption patterns, and there is no legal obligation to remit the unredeemed gift card balance in the relevant jurisdiction, gift card breakage is recorded as a reduction of general and administrative expenses in the Consolidated Statements of Income; however, such gift cards will continue to be honored. We recognized gift card breakage as a reduction of general and administrative expenses of $6.9 million for fiscal 2015, $4.9 million for fiscal 2014, and $2.8 million for fiscal 2013. Incremental direct costs related to the sale of gift cards are deferred until the associated gift card is redeemed or breakage is deemed appropriate. These deferred incremental direct costs are reflected as a reduction of the unredeemed gift card liability, net which is a component of accrued expenses in the Consolidated Balance Sheets and, when recognized, as a reduction of bakery-cafe sales, net in the Consolidated Statements of Income.

Valuation of Goodwill

We evaluate goodwill for impairment on an annual basis during our fourth quarter, or more frequently if circumstances indicate impairment might exist. Goodwill is evaluated for impairment through the comparison of fair value of our reporting units to their carrying values. When evaluating goodwill for impairment, we may first perform an assessment of qualitative factors to determine if the fair value of the reporting unit is more-likely-than-not greater than its carrying amount. If, based on the review of the qualitative factors, we determine it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying value, we bypass the required two-step impairment test. If we do not perform a qualitative assessment or if the fair value of the reporting unit is not more-likely- than-not greater than its carrying value, we perform a quantitative assessment and calculate the estimated fair value of the reporting unit. If the carrying value of the reporting unit exceeds the estimated fair value, there is an indication that impairment may exist. The amount of impairment is determined by comparing the implied fair value of the reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill is less than the recorded goodwill, we would record an impairment loss for the difference.

The fair value of a reporting unit is the price a willing buyer would pay for the reporting unit and is estimated using a discounted cash flow model. The discounted cash flow estimate is based upon, among other things, certain assumptions about expected future operating performance, such as revenue growth rates, operating margins, risk-adjusted discount rates, and future economic and market conditions.

Our decision to perform a qualitative assessment for an individual reporting unit in a given year is influenced by a number of factors, including the size of the reporting unit's goodwill, the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, and the amount of time in between quantitative fair value assessments. During fiscal 2015, as part of our annual goodwill impairment analysis, we performed the quantitative assessment for our total goodwill balance.

The fair value of a reporting unit is the price a willing buyer would pay for the reporting unit and is estimated using a discounted cash flow model. Our discounted cash flow estimates are based upon, among other things, certain assumptions about expected future operating performance, such as revenue growth rates, operating margins, risk-adjusted discount rates, and future economic and market conditions.

For fiscal 2015, we determined the fair value of our reporting units were significantly in excess of their carrying values. Accordingly, we did not recognize any impairment charges during fiscal 2015.

Self-Insurance

We are self-insured for a significant portion of our workers' compensation, group health, and general, auto, and property liability insurance, with varying levels of deductibles of as much as $0.8 million of individual claims, depending on the type of claim. We also purchase aggregate stop-loss and/or layers of loss insurance in many categories of loss. We utilize third party actuarial experts' estimates of expected losses based on statistical analyses of our actual historical data and historical industry data to determine required self-insurance reserves. The assumptions are closely reviewed, monitored, and adjusted when warranted by changing circumstances. These estimated liabilities could be affected if actual experience related to the number of claims and cost per claim

differs from these assumptions and historical trends. Based on information known at December 29, 2015, we believe we have provided adequate reserves for our self-insurance exposure. We held self-insurance reserves of $37.2 million as of December 29, 2015 and $32.6 million as of December 30, 2014, which were included in accrued expenses in the Consolidated Balance Sheets.

Income Taxes

We are subject to income taxes in the United States and Canada. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. We assess the income tax position and record the liabilities for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date.

Our provision for income taxes is determined in accordance with the accounting guidance for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if we determine it is more likely than not that all or some portion of the deferred tax asset will not be recognized. Based on this assessment, we have recorded a valuation allowance of $5.3 million and $4.6 million as of December 29, 2015 and December 30, 2014, respectively, against all Canadian deferred tax assets, including the net operating loss carryforwards of the Company's Canadian operations.

Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given the final tax outcome of these matters will not be different. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, the refinement of an estimate or changes in tax laws. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact our provision for income taxes in the period in which such determination is made. Our provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest.

Our effective tax rates have differed from the statutory tax rate primarily due to the impact of state taxes, partially offset by favorable U.S. rules related to donations of inventory to charitable organizations and domestic manufacturing. Our future effective tax rates could be adversely affected by changes in the valuation of our deferred tax assets, or changes in tax laws, regulations, accounting principles, or interpretations thereof. In addition, we are subject to the routine examination of our income tax returns and other tax filings by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our reserve for income taxes.

Lease Obligations

We lease nearly all of our bakery-cafes, fresh dough facilities and trucks, and support centers. Each lease is evaluated to determine whether the lease will be accounted for as an operating or capital lease. The term used for this evaluation includes renewal option periods only in instances in which the exercise of the renewal option can be reasonably assured and failure to exercise such option would result in an economic penalty.

For leases that contain rent escalations, we record the total rent payable during the lease term, as described above, on a straight-line basis over the term of the lease, and record the difference between the minimum rent paid and the straight-line rent as a lease obligation. Many of our leases contain provisions that require additional rental payments based upon net bakery-cafe sales volume, which we refer to as contingent rent. Contingent rent is accrued each period as the liability is incurred, in addition to the straight-line rent expense noted above. This results in variability in occupancy expense over the term of the lease in bakery-cafes where we pay contingent rent.

In addition, we record landlord allowances and incentives received as deferred rent in the Consolidated Balance Sheets based on their short-term or long-term nature. These landlord allowances are amortized over the reasonably assured lease term as a reduction of rent expense. Additionally, payments made by us and reimbursed by the landlord for improvements deemed to be lessor assets have no impact on the Statements of Income. We consider improvements to be a lessor asset if all of the following criteria are met:

- the lease specifically requires the lessee to make the improvement;
- the improvement is fairly generic;
- the improvement increases the fair value of the property to the lessor; and

- the useful life of the improvement is longer than the lease term.

We report the period to period change in the landlord receivable within the operating activities section of the Consolidated Statements of Cash Flows.

Management makes judgments regarding the probable term for each lease, which can impact the classification and accounting for a lease as capital or operating, the rent holiday, and/or escalations in payments that are taken into consideration when calculating straight-line rent and the term over which leasehold improvements for each bakery-cafe, fresh dough facility, and support center is amortized. These judgments may produce materially different amounts of depreciation, amortization, and rent expense than would be reported if different assumed lease terms were used.

Impairment of Long-Lived Assets

We evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. When appropriate, we compare anticipated undiscounted cash flows from the related long-lived assets of a bakery-cafe or fresh dough facility with their respective carrying values to determine if the long-lived assets are recoverable. If the sum of the anticipated undiscounted cash flows for the long-lived assets is less than their carrying value, an impairment loss would be recognized for the difference between the anticipated discounted cash flows, which approximates fair value, and the carrying value of the long-lived assets. Our estimates of cash flow were based upon, among other things, certain assumptions about expected future operating performance, such as revenue growth rates, operating margins, risk-adjusted discount rates, and future economic and market conditions. Our estimates of cash flow may differ from actual cash flow due to, among other things, economic conditions, changes to our business model or changes in operating performance. The long-term financial forecasts that we utilize represent the best estimate that we have at this time and we believe that its underlying assumptions are reasonable.

We recognized impairment losses of $3.8 million, $0.9 million, and $0.8 million during fiscal 2015, fiscal 2014, and fiscal 2013, respectively, related to distinct under-performing Company-owned bakery-cafes. For fiscal 2015, the impairment loss was recorded in refranchising loss in the Consolidated Statements of Income. For fiscal 2014 and fiscal 2013, these impairment losses were recorded in other operating expenses in the Consolidated Statements of Income.

Contractual Obligations and Other Commitments

In addition to our planned capital expenditure requirements, we have certain other contractual and committed cash obligations. Our contractual cash obligations consist of non-cancelable operating leases for our bakery-cafes, fresh dough facilities and trucks, and support centers; principal and interest payments related to the term loan borrowings; capital leases; purchase obligations primarily for certain commodities; and uncertain tax positions. Lease terms for our trucks are generally for five to seven years. The reasonably assured lease terms for most bakery-cafe and support center leases is the initial non-cancelable lease term plus one renewal option period, which generally equates to an aggregate of 15 years. The reasonably assured lease term for most fresh dough facilities is the initial non-cancelable lease term plus one to two renewal periods, which generally equates to an aggregate of 20 years. Lease terms generally require us to pay a proportionate share of real estate taxes, insurance, common area maintenance, and other operating costs. Certain bakery-cafe leases provide for contingent rental (i.e., percentage rent) payments based on sales in excess of specified amounts, scheduled rent increases during the lease terms, and/or rental payments commencing at a date other than the date of initial occupancy. As of December 29, 2015, we expect cash expenditures under these lease obligations, purchase obligations, term loan borrowings, and uncertain tax positions to be as follows for the periods indicated (in thousands):

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Operating leases (1)	$ 149,882	$ 293,471	$ 269,024	$ 659,087	$ 1,371,464
Capital lease obligations (1)	509	1,033	1,053	2,549	5,144
Purchase obligations (2)	294,344	632	—	—	294,976
Long-term debt (3)	15,000	30,000	352,397	—	397,397
Installment payment agreement (3)	2,536	5,072	2,536	—	10,144
Interest payments (4)	5,545	10,474	6,004	—	22,023
Uncertain tax positions (5)	1,933	2,406	1,568	165	6,072
Total	$ 469,749	$ 343,088	$ 632,582	$ 661,801	$ 2,107,220

(1) See Note 14, Commitments and Contingencies, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for further information with respect to our operating and capital leases. Future minimum lease

payments have not been reduced by minimum sublease rentals to be received in the future under non-cancelable subleases. Sublease rentals are approximately $20.4 million for operating subleases.

(2) Relates to certain commodity and service agreements pursuant to which we are committed as of December 29, 2015 to purchase a fixed quantity over a contracted time period.

(3) See Note 11, Debt, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for further information with respect to our term loan borrowings and installment payment agreement.

(4) Represents estimated interest payments on the term loan borrowings. Interest payments are calculated based on Eurodollar plus the applicable margin in effect at December 29, 2015. The actual interest rates on our term loan borrowings could vary from that used to compute the above interest payments. See Note 11, Debt, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for further information with respect to our term loan borrowings.

(5) See Note 15, Income Taxes, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for further information with respect to our uncertain tax positions.

Off-Balance Sheet Arrangements

As of December 29, 2015, we have guaranteed the operating leases of 75 franchisee locations, which we account for in accordance with the accounting requirements for guarantees. These guarantees are primarily a result of the sales of Company-owned bakery-cafes to franchisees, pursuant to which we exercised our right to assign the lease for the bakery-cafe but remain liable to the landlord in the event of a default by the assignee. These guarantees expire on various dates from July 15, 2020 to February 28, 2049, with a maximum potential amount of future rental payments of approximately $244.4 million as of December 29, 2015. Our obligation from these leases will decrease over time as these operating leases expire. We have not recorded a liability for these guarantees because the fair value of these lease guarantees was determined by us to be insignificant individually, and in the aggregate, based on an analysis of the facts and circumstances of each such lease and each such assignee's performance, and we did not believe it was probable we would be required to perform under any guarantees at the time the guarantees were issued. We have not had to make any payments related to any of these guaranteed leases. Applicable assignees continue to have primary obligation for these operating leases. As of December 29, 2015, future commitments under these leases were as follows (in thousands):

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Lease Guarantees (1)	$ 11,832	$ 24,501	$ 25,172	$ 182,907	$ 244,412

(1) Represents aggregate maximum requirement — see Note 14, Commitments and Contingencies, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for further information with respect to our lease guarantees.

Employee Commitments

We have confidential and proprietary information and non-competition agreements, referred to as non-compete agreements, with certain employees. These non-compete agreements contain a provision whereby employees would be due a certain number of weeks of their salary if their employment was terminated by us as specified in the non-compete agreement. We have not recorded a liability for these amounts potentially due to employees. Rather, we will record a liability for these amounts when an amount becomes due to an employee in accordance with the appropriate authoritative literature. As of December 29, 2015, the total amount potentially owed employees under these non-compete agreements was $24.8 million.

Impact of Inflation

Our profitability depends in part on our ability to anticipate and react to changes in food, supply, labor, occupancy, and other costs. In the past, we have been able to recover a significant portion of inflationary costs and commodity price increases, including price increases in fuel, proteins, dairy, wheat, tuna, and cream cheese among others, through increased menu prices. There have been, and there may be in the future, delays in implementing such menu price increases, and competitive pressures may limit our ability to recover such cost increases in their entirety. Historically, the effects of inflation on our consolidated results of operations have not been materially adverse. However, inherent volatility experienced in certain commodity markets, such as those for wheat, proteins, including chicken raised without antibiotics, and fuel may have an adverse effect on us in the future. The extent of the impact will depend on our ability and timing to increase food prices.

A majority of our associates are paid hourly rates regulated by federal and state minimum wage laws. Although we have and will continue to attempt to pass along any increased labor costs through food price increases, there can be no assurance that all such

increased labor costs can be reflected in our prices or that increased prices will be absorbed by consumers without diminishing to some degree consumer spending at the bakery-cafes.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, 2015-17, "Balance Sheet Classification of Deferred Taxes". This update requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This update is effective for annual and interim reporting periods beginning after December 15, 2016. Early adoption is permitted. We plan on adopting this guidance in the first quarter of fiscal 2016.

In September 2015, the FASB issued ASU, 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments". This update eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Acquirers would now recognize measurement-period adjustments during the period in which they determine the amount of the adjustment. This update is effective for annual and interim reporting periods beginning after December 15, 2015, including interim periods within those fiscal years, and should be applied prospectively to adjustments for provisional amounts that occur after the effective date with early adoption permitted for financial statements that have not been issued. The adoption of this guidance is not expected to have a material effect on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory". This update provides guidance on the subsequent measurement of inventory, which changes the measurement from lower of cost or market to lower of cost and net realizable value. This update is effective for annual and interim periods beginning after December 15, 2016. The adoption of this guidance is not expected to have a material effect on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". This update requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this update. We early adopted ASU 2015-03 during the thirteen weeks ended June 30, 2015. As a result of the retrospective adoption, we reclassified unamortized debt issuance costs of $0.2 million as of December 30, 2014 from deposits and other to long-term debt on our Consolidated Balance Sheets. Adoption of this standard did not impact our results of operations or cash flows in the current or previous interim and annual reporting periods.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". This update requires management to evaluate whether there is substantial doubt about our ability to continue as a going concern. This update is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. We are currently evaluating the effect of the standard but its adoption is not expected to have an impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU 2015-14 delaying the effective date for adoption. The update is now effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. The update permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect this guidance will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360)". This update was issued to clarify the reporting for discontinued operations and disclosures for disposals of components of an entity. This update is effective for annual and interim periods beginning after December 15, 2014. The adoption of this update did not have a material effect on our consolidated financial statements or related disclosures; however, it may impact the reporting of future discontinued operations if and when they occur.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Risk

We manage our commodity risk in several ways. We purchase certain commodities, such as flour, coffee, and proteins, for use in our business. These commodities are sometimes purchased under agreements with terms of one month to one year, usually at a fixed price. As a result, we are subject to market risk that current market prices may be above or below our contractual price. These agreements qualify as normal purchases and are not recorded at fair value on our Consolidated Balance Sheets. In fiscal 2015, 2014, and 2013, we did not utilize derivative instruments in managing commodity risk.

Interest Rate Risk

We are exposed to market risk primarily from fluctuations in interest rates on our $400 million term loan borrowings and any borrowings we may make under our credit facility of $250 million. Under the 2015 Credit Agreement, 2014 Term Loan Agreement and 2015 Term Loan Agreement, we may select interest rates equal to (1) the Eurodollar rate plus a margin ranging from 1.00 percent to 1.50 percent depending on our consolidated leverage ratio or (2) the Base Rate (which is defined as the highest of the Bank of America prime rate, the Federal funds rate plus 0.50 percent, or the Eurodollar rate plus 1.00 percent) plus the applicable margin for Base Rate loans (which is an amount ranging from 0.00 percent to 0.50 percent for the term loans and 0.00 percent to 1.00 percent for the credit facility depending on our consolidated leverage ratio). An increase in the present interest rate of 100 basis points on the term loan borrowings would increase annual interest expense by approximately $4.0 million.

On July 16, 2015, in order to hedge the variability in cash flows from changes in benchmark interest rates, we entered into two forward-starting interest rate swap agreements with an aggregate initial notional value of $242.5 million. The forward-starting interest rate swaps have been designated as cash flow hedging instruments and effectively convert variable rate term loan borrowings to a fixed rate.

See Note 11, Debt, and Note 12, Derivative Financial Instruments, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for details of the components of our long-term debt and further discussion on our interest rate swap agreements, respectively, as of December 29, 2015.

Foreign Currency Exchange Risk

As of December 29, 2015, we had 11 Canadian Company-owned bakery-cafes, one Canadian Company-owned fresh dough facility, and six Canadian franchise-operated bakery-cafes. As a result, certain of our operating revenues, expenses, and capital purchasing activities are subject to fluctuations in the exchange rate of the Canadian Dollar. To date, we have not entered into any hedging contracts, although we may do so in the future. Fluctuations in currency exchange rates could affect our business in the future.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements are included in response to this item:

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Schedule II — Valuation and Qualifying Accounts — is included in Item 15(a)(2). All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto	77

Report of Independent Registered Public Accounting Firm

To Board of Directors and Stockholders of Panera Bread Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, of changes in equity and redeemable noncontrolling interest, and of cash flows present fairly, in all material respects, the financial position of Panera Bread Company and its subsidiaries at December 29, 2015 and December 30, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
St. Louis, Missouri
February 18, 2016

PANERA BREAD COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share information)

	December 29, 2015	December 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 241,886	$ 196,493
Trade accounts receivable, net	38,211	36,584
Other accounts receivable	77,575	70,069
Inventories	22,482	22,811
Prepaid expenses and other	59,457	51,588
Deferred income taxes	34,479	28,621
Assets held for sale	28,699	—
Total current assets	502,789	406,166
Property and equipment, net	776,248	787,294
Other assets:		
Goodwill	121,791	120,778
Other intangible assets, net	63,877	70,940
Deposits and other	10,613	5,508
Total other assets	196,281	197,226
Total assets	$ 1,475,318	$ 1,390,686
Liabilities, Redeemable Noncontrolling Interest, and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 19,805	$ 19,511
Accrued expenses	359,464	333,201
Current portion of long-term debt	17,229	—
Liabilities associated with assets held for sale	2,945	—
Total current liabilities	399,443	352,712
Long-term debt	388,971	99,784
Deferred rent	62,610	67,390
Deferred income taxes	70,447	76,589
Other long-term liabilities	52,566	58,027
Total liabilities	974,037	654,502
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interest	3,981	—
Stockholders' equity:		
Common stock, $.0001 par value per share:		
Class A, 112,500,000 shares authorized; 30,836,669 shares issued and 23,346,188 shares outstanding at December 29, 2015 and 30,703,472 shares issued and 25,442,728 shares outstanding at December 30, 2014	3	3
Class B, 10,000,000 shares authorized; 1,381,730 shares issued and outstanding at December 29, 2015 and 1,381,865 shares issued and outstanding at December 30, 2014	—	—
Treasury stock, carried at cost; 7,490,481 shares at December 29, 2015 and 5,260,744 shares at December 30, 2014	(1,111,586)	(706,073)
Preferred stock, $.0001 par value per share; 2,000,000 shares authorized and no shares issued or outstanding at December 29, 2015 and December 30, 2014	—	—
Additional paid-in capital	235,393	214,437
Accumulated other comprehensive income (loss)	(5,029)	(1,360)
Retained earnings	1,378,519	1,229,177
Total stockholders' equity	497,300	736,184
Total liabilities, redeemable noncontrolling interest, and stockholders' equity	$ 1,475,318	$ 1,390,686

The accompanying notes are an integral part of the consolidated financial statements.

PANERA BREAD COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share information)

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Revenues:			
Bakery-cafe sales, net	$ 2,358,794	$ 2,230,370	$ 2,108,908
Franchise royalties and fees	138,563	123,686	112,641
Fresh dough and other product sales to franchisees	184,223	175,139	163,453
Total revenues	$ 2,681,580	$ 2,529,195	$ 2,385,002
Costs and expenses:			
Bakery-cafe expenses:			
Cost of food and paper products	$ 715,502	$ 669,860	$ 625,622
Labor	754,646	685,576	625,457
Occupancy	169,998	159,794	148,816
Other operating expenses	334,635	314,879	295,539
Total bakery-cafe expenses	1,974,781	1,830,109	1,695,434
Fresh dough and other product cost of sales to franchisees	160,706	152,267	142,160
Depreciation and amortization	135,398	124,109	106,523
General and administrative expenses	142,904	138,060	123,335
Pre-opening expenses	9,089	8,707	7,794
Refranchising loss	17,108	—	—
Total costs and expenses	2,439,986	2,253,252	2,075,246
Operating profit	241,594	275,943	309,756
Interest expense	3,830	1,824	1,053
Other (income) expense, net	1,192	(3,175)	(4,017)
Income before income taxes	236,572	277,294	312,720
Income taxes	87,247	98,001	116,551
Net income	$ 149,325	$ 179,293	$ 196,169
Less: Net loss attributable to noncontrolling interest	(17)	—	—
Net income attributable to Panera Bread Company	$ 149,342	$ 179,293	$ 196,169
Earnings per common share:			
Basic	$ 5.81	$ 6.67	$ 6.85
Diluted	$ 5.79	$ 6.64	$ 6.81
Weighted average shares of common and common equivalent shares outstanding:			
Basic	25,685	26,881	28,629
Diluted	25,788	26,999	28,794

The accompanying notes are an integral part of the consolidated financial statements.

PANERA BREAD COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Net income	$ 149,325	$ 179,293	$ 196,169
Less: Net loss attributable to noncontrolling interest	(17)	—	—
Net income attributable to Panera Bread Company	$ 149,342	$ 179,293	$ 196,169
Other comprehensive income (loss), net of tax:			
Unrealized gains (losses) on cash flow hedging instruments	(2,552)	—	—
Tax (expense) benefit	1,009	—	—
Foreign currency translation adjustment	(2,126)	(1,027)	(1,005)
Other comprehensive income (loss) attributable to Panera Bread Company	(3,669)	(1,027)	(1,005)
Comprehensive income attributable to Panera Bread Company	$ 145,673	$ 178,266	$ 195,164

The accompanying notes are an integral part of the consolidated financial statements.

PANERA BREAD COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the fiscal year ended		
	December 29, 2015	**December 30, 2014**	**December 31, 2013**
Cash flows from operating activities:			
Net income	$ 149,325	$ 179,293	$ 196,169
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	135,398	124,109	106,523
Stock-based compensation expense	15,086	10,077	10,703
Tax benefit from stock-based compensation	(2,057)	(3,089)	(8,100)
Deferred income taxes	(10,991)	10,459	10,356
Refranchising loss	12,942	—	—
Other	3,505	4,617	6,353
Changes in operating assets and liabilities, excluding the effect of acquisitions and dispositions:			
Trade and other accounts receivable, net	(3,605)	(22,139)	3,021
Inventories	(1,698)	(895)	(2,186)
Prepaid expenses and other	(7,191)	(8,524)	(841)
Deposits and other	(455)	239	1,449
Accounts payable	(183)	1,978	8,162
Accrued expenses	31,169	35,288	13,372
Deferred rent	3,751	1,067	5,868
Other long-term liabilities	(6,951)	2,599	(2,432)
Net cash provided by operating activities	318,045	335,079	348,417
Cash flows from investing activities:			
Additions to property and equipment	(223,932)	(224,217)	(192,010)
Acquisitions, net of cash acquired	—	—	(2,446)
Purchase of investments	—	—	(97,919)
Proceeds from sale of investments	—	—	97,936
Proceeds from refranchising	46,869	—	—
Proceeds from sale of property and equipment	1,553	—	—
Proceeds from sale-leaseback transactions	10,095	12,900	6,132
Net cash used in investing activities	(165,415)	(211,317)	(188,307)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	299,070	100,000	—
Repayments of long-term debt	(6,301)	—	—
Capitalized debt issuance costs	(363)	(193)	—
Payment of deferred acquisition holdback	—	(270)	(4,112)
Repurchase of common stock	(405,513)	(159,503)	(339,409)
Exercise of employee stock options	288	1,116	573
Tax benefit from stock-based compensation	2,057	3,089	8,100
Proceeds from issuance of common stock under employee benefit plans	3,525	3,247	2,842
Net cash used in financing activities	(107,237)	(52,514)	(332,006)
Net increase (decrease) in cash and cash equivalents	45,393	71,248	(171,896)
Cash and cash equivalents at beginning of period	196,493	125,245	297,141
Cash and cash equivalents at end of period	$ 241,886	$ 196,493	$ 125,245

The accompanying notes are an integral part of the consolidated financial statements.

PANERA BREAD COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND REDEEMABLE NONCONTROLLING INTEREST
(in thousands)

	Common Stock										
	Class A		Class B		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Redeemable Noncontrolling Interest
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 25, 2012	28,209	$ 3	1,384	$ —	2,250	$ (207,161)	$ 174,690	$ 853,715	$ 672	$821,919	$ —
Net income	—	—	—	—	—	—	—	196,169	—	196,169	—
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(1,005)	(1,005)	—
Issuance of common stock	20	—	—	—	—	—	2,841	—	—	2,841	—
Stock-based compensation expense	—	—	—	—	—	—	10,703	—	—	10,703	—
Repurchase of common stock	(2,033)	—	—	—	2,033	(339,409)	—	—	—	(339,409)	—
Tax benefit from exercise of stock options	—	—	—	—	—	—	8,100	—	—	8,100	—
Other	94	—	(2)	—	—	—	574	—	—	574	—
Balance, December 31, 2013	26,290	$ 3	1,382	$ —	4,283	$ (546,570)	$ 196,908	$ 1,049,884	$ (333)	$699,892	$ —
Net income	—	—	—	—	—	—	—	179,293	—	179,293	—
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(1,027)	(1,027)	—
Issuance of common stock	23	—	—	—	—	—	3,247	—	—	3,247	—
Stock-based compensation expense	—	—	—	—	—	—	10,077	—	—	10,077	—
Repurchase of common stock	(978)	—	—	—	978	(159,503)	—	—	—	(159,503)	—
Tax benefit from exercise of stock options	—	—	—	—	—	—	3,089	—	—	3,089	—
Other	108	—	—	—	—	—	1,116	—	—	1,116	—
Balance, December 30, 2014	25,443	$ 3	1,382	$ —	5,261	$ (706,073)	$ 214,437	$ 1,229,177	$ (1,360)	$736,184	$ —
Net income (loss)	—	—	—	—	—	—	—	149,342	—	149,342	(17)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(3,669)	(3,669)	—
Issuance of common stock	23	—	—	—	—	—	3,527	—	—	3,527	—
Stock-based compensation expense	—	—	—	—	—	—	15,086	—	—	15,086	—
Repurchase of common stock	(2,229)	—	—	—	2,229	(405,513)	—	—	—	(405,513)	—
Tax benefit from exercise of stock options	—	—	—	—	—	—	2,057	—	—	2,057	—
Redeemable noncontrolling interest resulting from acquisition	—	—	—	—	—	—	—	—	—	—	3,998
Other	109	—	—	—	—	—	286	—	—	286	—
Balance, December 29, 2015	23,346	$ 3	1,382	$ —	7,490	$ (1,111,586)	$ 235,393	$ 1,378,519	$ (5,029)	$497,300	$ 3,981

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of Business

Panera Bread Company and its subsidiaries (the "Company") operate a retail bakery-cafe business and franchising business under the concept names Panera Bread®, Saint Louis Bread Co.®, and Paradise Bakery & Café®. As of December 29, 2015, retail operations consisted of 901 Company-owned bakery-cafes and 1,071 franchise-operated bakery-cafes. The Company specializes in meeting consumer dining needs by providing high-quality food, including the following: fresh baked goods, made-to-order sandwiches on freshly baked breads, soups, pasta dishes, salads, and cafe beverages, and targets urban and suburban dwellers and workers by offering a premium specialty bakery-cafe experience with a neighborhood emphasis. Bakery-cafes are located in urban, suburban, strip mall and regional mall locations and currently operate in the United States and Canada. Bakery-cafes use fresh dough for their artisan and sourdough breads and bagels. In addition to the in-bakery-cafe dining experience, the Company offers Panera Catering, a nation-wide catering service that provides breakfast assortments, sandwiches, salads, soups, pasta dishes, drinks, and bakery items using the same high-quality, fresh ingredients enjoyed in bakery-cafes. As of December 29, 2015, the Company's fresh dough and other product operations, which supply fresh dough, produce, tuna, and cream cheese items daily to most Company-owned and franchise-operated bakery-cafes, consisted of 22 Company-owned and two franchise-operated fresh dough facilities.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and under the rules and regulations of the Securities and Exchange Commission (the "SEC"). The consolidated financial statements consist of the accounts of Panera Bread Company, its wholly owned direct and indirect subsidiaries and investees it controls. All intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior year amounts to conform to the fiscal 2015 presentation.

Fiscal Year

The Company's fiscal year ends on the last Tuesday in December. The fiscal years ended December 29, 2015 ("fiscal 2015") and December 30, 2014 ("fiscal 2014") each had 52 weeks. The fiscal year ended December 31, 2013 ("fiscal 2013") had 53 weeks with the fourth quarter comprising 14 weeks.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity at the time of purchase of three months or less to be cash equivalents. The Company maintains cash balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances and believes credit risk to be minimal.

Investments

Management designates the classification of its investments at the time of purchase based upon its intended holding period. See Note 4 and Note 5 for further information with respect to the Company's investments.

Trade Accounts Receivable, net and Other Accounts Receivable

Trade accounts receivable, net consists primarily of amounts due to the Company from its franchisees for purchases of fresh dough and other products from the Company's fresh dough facilities, royalties due to the Company from franchisee sales, and receivables from credit card and catering on-account sales.

As of December 29, 2015, other accounts receivable consisted primarily of $29.8 million due from income tax refunds, $29.5 million due from wholesalers of the Company's gift cards, and tenant allowances due from landlords of $11.8 million. As of December 30, 2014, other accounts receivable consisted primarily of $33.4 million due from income tax refunds, $24.5 million due from wholesalers of the Company's gift cards, and tenant allowances due from landlords of $7.0 million.

The Company does not require collateral and maintains reserves for potential uncollectible accounts based on historical losses and existing economic conditions, when relevant. The allowance for doubtful accounts at December 29, 2015 and December 30, 2014 was $0.1 million, respectively.

Inventories

Inventories, which consist of food products, paper goods, and supplies, are valued at the lower of cost or market, with cost determined under the first-in, first-out method.

Property and Equipment, net

Property, equipment, leasehold improvements, and land are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated using the straight-line method over the shorter of their estimated useful lives or the related reasonably assured lease term. Costs incurred in connection with the development of internal-use software are capitalized in accordance with the accounting standard for internal-use software, and are amortized over the expected useful life of the software. The estimated useful lives used for financial statement purposes are:

Leasehold improvements	15 - 20 years
Machinery and equipment	3 - 15 years
Furniture and fixtures	2 - 7 years
Computer hardware and software	3 - 5 years

Interest, to the extent it is incurred in connection with the construction of new locations or facilities, is capitalized. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest incurred for such purposes was $0.2 million and $0.1 million for fiscal 2015 and fiscal 2014, respectively. No interest was incurred for such purposes during fiscal 2013.

Upon retirement or sale, the cost of assets disposed and their related accumulated depreciation are removed from the Company's accounts. Any resulting gain or loss is credited or charged to operations. Maintenance and repairs are charged to expense when incurred, while certain improvements are capitalized. The total amounts expensed for maintenance and repairs was $67.3 million, $62.0 million, and $56.6 million, for fiscal 2015, fiscal 2014, and fiscal 2013, respectively.

Goodwill

The Company evaluates goodwill for impairment on an annual basis during our fourth quarter, or more frequently if circumstances indicate impairment might exist. Goodwill is evaluated for impairment through the comparison of fair value of our reporting units to their carrying values. When evaluating goodwill for impairment, the Company may first perform an assessment of qualitative factors to determine if the fair value of the reporting unit is more-likely-than-not greater than its carrying amount. If, based on the review of the qualitative factors, the Company determines it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying value, the Company bypasses the required two-step impairment test. If the Company does not perform a qualitative assessment or if the fair value of the reporting unit is not more-likely- than-not greater than its carrying value, the Company performs a quantitative assessment and calculates the estimated fair value of the reporting unit. If the carrying value of the reporting unit exceeds the estimated fair value, there is an indication that impairment may exist. The amount of impairment is determined by comparing the implied fair value of the reporting unit goodwill to the carrying value of the goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment loss for the difference.

The fair value of a reporting unit is the price a willing buyer would pay for the reporting unit and is estimated using a discounted cash flow model. The discounted cash flow estimate is based upon, among other things, certain assumptions about expected future operating performance, such as revenue growth rates, operating margins, risk-adjusted discount rates, and future economic and market conditions.

No goodwill impairment charges were recorded during fiscal 2015 and fiscal 2013. The Company recorded a goodwill impairment charge of $2.1 million during fiscal 2014. This charge was recorded in other (income) expense, net in the Consolidated Statements of Income.

Other Intangible Assets, net

Other intangible assets, net consist primarily of favorable lease agreements, re-acquired territory rights, and trademarks. The Company amortizes the fair value of favorable lease agreements over the remaining related lease terms at the time of the acquisition, which ranged from approximately four years to 19 years as of December 29, 2015. The fair value of re-acquired territory rights was based on the present value of the acquired bakery-cafe cash flows. The Company amortizes the fair value of re-acquired territory rights over the remaining contractual terms of the re-acquired territory rights at the time of the acquisition, which ranged from approximately five years to 20 years as of December 29, 2015. The fair value of trade names and trademarks is amortized over their estimated useful life of eight years and 22 years, respectively.

The Company reviews intangible assets with finite lives for impairment when events or circumstances indicate these assets might be impaired. When warranted, the Company tests intangible assets with finite lives for impairment using historical cash flows and other relevant facts and circumstances as the primary basis for an estimate of future cash flows. There were no other intangible asset impairment charges recorded during fiscal 2015, fiscal 2014, and fiscal 2013. There can be no assurance that future intangible asset impairment tests will not result in a charge to earnings.

Impairment of Long-Lived Assets

The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The Company compares anticipated undiscounted cash flows from the related long-lived assets of a bakery-cafe or fresh dough facility with their respective carrying values to determine if the long-lived assets are recoverable. If the sum of the anticipated undiscounted cash flows for the long-lived assets is less than their carrying value, an impairment loss is recognized for the difference between the anticipated discounted cash flows, which approximates fair value, and the carrying value of the long-lived assets. In performing this analysis, management estimates cash flows based upon, among other things, certain assumptions about expected future operating performance, such as revenue growth rates, operating margins, risk-adjusted discount rates, and future economic and market conditions. Estimates of cash flow may differ from actual cash flow due to, among other things, economic conditions, changes to the Company's business model or changes in operating performance. The long-term financial forecasts that management utilizes represent the best estimate that management has at this time and management believes that the underlying assumptions are reasonable.

The Company recognized impairment losses of $3.8 million, $0.9 million, and $0.8 million during fiscal 2015, fiscal 2014, and fiscal 2013, respectively, related to distinct, underperforming Company-owned bakery-cafes. For fiscal 2015, the impairment loss was recorded in refranchising loss in the Consolidated Statements of Income. For fiscal 2014 and fiscal 2013, these impairment losses were recorded in other operating expenses in the Consolidated Statements of Income.

Self-Insurance Reserves

The Company is self-insured for a significant portion of its workers' compensation, group health, and general, auto, and property liability insurance with varying deductibles of as much as $0.8 million for individual claims, depending on the type of claim. The Company also purchases aggregate stop-loss and/or layers of loss insurance in many categories of loss. The Company utilizes third party actuarial experts' estimates of expected losses based on statistical analyses of the Company's actual historical data and historical industry data to determine required self-insurance reserves. The assumptions are closely reviewed, monitored, and adjusted when warranted by changing circumstances. The estimated accruals for these liabilities could be affected if actual experience related to the number of claims and cost per claim differs from these assumptions and historical trends. Based on information known at December 29, 2015, the Company believes it has provided adequate reserves for its self-insurance exposure. As of December 29, 2015 and December 30, 2014, self-insurance reserves were $37.2 million and $32.6 million, respectively, and were included in accrued expenses in the Consolidated Balance Sheets. The total amounts expensed for self-insurance were $54.3 million, $50.7 million, and $46.9 million for fiscal 2015, fiscal 2014, and fiscal 2013, respectively.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if the Company determines it is more likely than not that all or some portion of the deferred tax asset will not be recognized. As of December 29, 2015 and December 30, 2014 the Company had recorded a valuation allowance related to deferred tax assets of the Company's Canadian operations of $5.3 million and $4.6 million, respectively.

In accordance with the authoritative guidance on income taxes, the Company establishes additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold, which is a tax position that is more likely than not to be sustained upon ultimate settlement with tax authorities assuming full knowledge of the position and all relevant facts. In the normal course of business, the Company and its subsidiaries are examined by various federal, state, foreign, and other tax authorities. The Company regularly assesses the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of its provision for income taxes. The Company routinely assesses the likelihood and amount of potential adjustments and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known. The Company classifies estimated interest and penalties related to the unrecognized tax benefits as a component of income taxes in the Consolidated Statements of Income.

Capitalization of Certain Development Costs

The Company has elected to account for construction costs in accordance with the accounting standard for real estate in the Company's consolidated financial statements. The Company capitalizes direct costs clearly associated with the acquisition, development, design, and construction of bakery-cafe locations and fresh dough facilities as these costs have a future benefit to the Company. The types of specifically identifiable costs capitalized by the Company include primarily payroll and payroll related taxes and benefit costs incurred by those individuals directly involved in development activities, including the acquisition, development, design, and construction of bakery-cafes and fresh dough facilities. The Company does not consider for capitalization payroll or payroll-related costs incurred by individuals that do not directly support the acquisition, development, design, and construction of bakery-cafes and fresh dough facilities. The Company uses an activity-based methodology to determine the amount of costs incurred for Company-owned projects, which are capitalized, and those for franchise-operated projects and general and administrative activities, which both are expensed as incurred. If the Company subsequently makes a determination that sites for which development costs have been capitalized will not be acquired or developed, any previously capitalized development costs are expensed and included in general and administrative expenses in the Consolidated Statements of Income.

The Company capitalized $9.8 million, $10.4 million, and $9.6 million of direct costs related to the development of Company-owned bakery-cafes during fiscal 2015, fiscal 2014, and fiscal 2013, respectively. The Company amortizes capitalized development costs for each bakery-cafe and fresh dough facility using the straight-line method over the shorter of their estimated useful lives or the related reasonably assured lease term and includes such amounts in depreciation and amortization in the Consolidated Statements of Income. In addition, the Company assesses the recoverability of capitalized costs through the performance of impairment analyses on an individual bakery-cafe and fresh dough facility basis pursuant to the accounting standard for property and equipment, net specifically related to the accounting for the impairment or disposal of long-lived assets.

Deferred Financing Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense based on the related debt agreement using the straight-line method, which approximates the effective interest method.

Revenue Recognition

The Company records revenues from bakery-cafe sales upon delivery of the related food and other products to the customer. Revenues from fresh dough and other product sales to franchisees are recorded upon delivery to the franchisees. Sales of soup and other branded products outside of the Company's bakery-cafes are recognized upon delivery to customers.

Franchise royalties are generally paid weekly based on the percentage of franchisee sales specified in each Area Development Agreement ("ADA") (generally five percent of net sales). Royalties are recognized as revenue in the period in which the sales are reported to have occurred based on contractual royalty rates applied to the net franchise sales. Royalties were $134.6 million, $120.1 million, and $110.5 million for fiscal 2015, fiscal 2014, and fiscal 2013, respectively. Franchise fees are the result of the sale of area development rights and the sale of individual franchise locations to third parties. The initial franchise fee is generally $35,000 per bakery-cafe to be developed under the ADA. Of this fee, $5,000 is generally paid at the time of the signing of the ADA and is recognized as revenue when it is received as it is non-refundable and the Company has to perform no other service to earn this fee. The remainder of the fee is paid at the time an individual franchise agreement is signed and is recognized as revenue upon the opening of the bakery-cafe. Franchise fees also include information technology-related fees for access to and the usage of proprietary systems. Franchise fees were $4.0 million, $3.6 million, and $2.2 million for fiscal 2015, fiscal 2014, and fiscal 2013, respectively.

The Company sells gift cards that do not have an expiration date and from which the Company does not deduct non-usage fees from outstanding gift card balances. Gift cards are redeemable at both Company-owned and franchise-operated bakery-cafes. Gift cards sold by either Company-owned bakery-cafes or through wholesalers and redeemed at franchise-operated bakery-cafes

reduce the Company's gift card liability but do not result in the recognition of revenue. When gift cards are redeemed at Company-owned bakery-cafes, the Company recognizes revenue and reduces the gift card liability. When the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"), based upon Company-specific historical redemption patterns, and there is no legal obligation to remit the unredeemed gift card balance in the relevant jurisdiction, gift card breakage is recorded as a reduction of general and administrative expenses in the Consolidated Statements of Income; however, such gift cards will continue to be honored. During fiscal 2015, fiscal 2014, and fiscal 2013, the Company recognized gift card breakage as a reduction of general and administrative expenses of $6.9 million, $4.9 million, and $2.8 million, respectively. Incremental direct costs related to the sale of gift cards are deferred until the associated gift card is redeemed or breakage is deemed appropriate. These deferred incremental direct costs are reflected as a reduction of the unredeemed gift card liability, net which is a component of accrued expenses in the Consolidated Balance Sheets and, when recognized, as a reduction of bakery-cafe sales, net in the Consolidated Statements of Income.

The Company maintains a customer loyalty program referred to as MyPanera in which customers earn rewards based on registration in the program and purchases within Panera Bread bakery-cafes. The Company records the full retail value of loyalty program rewards as a reduction of net bakery-cafe sales and a liability is established within accrued expenses in the Consolidated Balance Sheets as rewards are earned while considering historical redemption rates. Fully earned rewards generally expire if unredeemed after 60 days. Partially earned awards generally expire if inactive for a period of one year. The accrued liability related to the Company’s loyalty program was $2.7 million and $2.5 million as of December 29, 2015 and December 30, 2014, respectively. Costs associated with coupons are classified as a reduction of net bakery-cafe sales in the period in which the coupon is redeemed.

Advertising Costs

National advertising fund and marketing administration contributions received from franchise-operated bakery-cafes are consolidated with those from the Company in the Company’s consolidated financial statements. Liabilities for unexpended funds received from franchisees are included in accrued expenses in the Consolidated Balance Sheets. The Company’s contributions to the national advertising and marketing administration funds are recorded as part of general and administrative expenses in the Consolidated Statements of Income, while the Company’s own local bakery-cafe media costs are recorded as part of other operating expenses in the Consolidated Statements of Income. The Company’s policy is to record advertising costs as expense in the period in which the costs are incurred. The Company’s advertising costs include national, regional, and local expenditures utilizing primarily radio, billboards, social networking, Internet, television, and print. The total amounts recorded as advertising expense were $68.5 million, $65.5 million, and $55.6 million for fiscal 2015, fiscal 2014, and fiscal 2013, respectively.

Pre-Opening Expenses

Pre-opening expenses directly associated with the opening of new bakery-cafe locations, which consists primarily of pre-opening rent expense, labor, and food costs incurred during in-store training and preparation for opening, but exclude manager training costs which are included in labor expense in the Consolidated Statements of Income, are expensed when incurred.

Rent Expense

The Company recognizes rent expense on a straight-line basis over the reasonably assured lease term as defined in the accounting standard for leases. The reasonably assured lease term for most bakery-cafe leases is the initial non-cancelable lease term plus one renewal option period, which generally equates to an aggregate of 15 years. The reasonably assured lease term on most fresh dough facility leases is the initial non-cancelable lease term plus one to two renewal option periods, which generally equates to an aggregate of 20 years. In addition, certain of the Company’s lease agreements provide for scheduled rent increases during the lease terms or for rental payments commencing at a date other than the date of initial occupancy. The Company includes any rent escalations and construction period and other rent holidays in its determination of straight-line rent expense. Therefore, rent expense for new locations is charged to expense beginning on the date at which the Company has the right to control the use of the property. Many of the Company's lease agreements also contain provisions that require additional rental payments based upon net bakery-cafe sales volume, which the Company refers to as contingent rent. Contingent rent is accrued each period as the liability is incurred, in addition to the straight-line rent expense noted above. This results in variability in occupancy expense over the term of the lease in bakery-cafes where the Company pays contingent rent.

The Company records landlord allowances and incentives received as deferred rent in the Consolidated Balance Sheets based on their short-term or long-term nature. This deferred rent is amortized on a straight-line basis over the reasonably assured lease term as a reduction of rent expense. Additionally, payments made by the Company and reimbursed by the landlord for improvements deemed to be lessor assets have no impact on the Consolidated Statements of Income. The Company considers improvements to be a lessor asset if all of the following criteria are met:

- the lease specifically requires the lessee to make the improvement;

- the improvement is fairly generic;
- the improvement increases the fair value of the property to the lessor; and
- the useful life of the improvement is longer than the lease term.

The Company reports the period to period change in the landlord receivable within the operating activities section of its Consolidated Statements of Cash Flows.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the fiscal year. Diluted earnings per common share is computed by dividing net income by the weighted-average number of shares of common stock outstanding and dilutive securities outstanding during the year.

Foreign Currency Translation

The Company has 11 Company-owned bakery-cafes, one Company-owned fresh dough facility, and six franchise-operated bakery-cafes in Canada which use the Canadian Dollar as their functional currency. Assets and liabilities are translated into U.S. dollars using the current exchange rate in effect at the balance sheet date, while revenues and expenses are translated at the weighted-average exchange rate during the fiscal period. The resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income in the Consolidated Balance Sheets and Consolidated Statements of Changes in Equity and Redeemable Noncontrolling Interest. Gains and losses resulting from foreign currency transactions have not historically been significant and are included in other (income) expense, net in the Consolidated Statements of Income.

Derivative Instruments

The Company records all derivatives in the Consolidated Balance Sheets at fair value. The Company does not enter into derivative instruments for trading purposes. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the derivative's gain or loss is reported as component of other comprehensive income and recorded in accumulated other comprehensive income, net of tax in the Consolidated Balance Sheets. The gain or loss is subsequently reclassified into earnings when the hedged exposure affects earnings. To the extent that the change in the fair value of the contract corresponds to the change in the value of the anticipated transaction, the hedge is considered effective. The remaining change in fair value of the contract represents the ineffective portion, which is immediately recorded in interest expense in the Consolidated Statements of Income. Once established, cash flow hedges generally remain designated as such until the hedged item impacts earnings, or the anticipated transaction is no longer likely to occur.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, accounts payable, and other accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities. The fair value of the Company's interest rate swaps are determined based on a discounted cash flow analysis on the expected future cash flows of each derivative. This analysis reflects the contractual terms of the derivatives and uses observable market-based inputs, including interest rate curves and credit spreads.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the accounting standard for stock-based compensation, which requires the Company to measure and record compensation expense in the Company's consolidated financial statements for all stock-based compensation awards using a fair value method. The Company maintains several stock-based incentive plans under which the Company may grant incentive stock options, non-statutory stock options and stock settled appreciation rights (collectively, "option awards") and restricted stock and restricted stock units to certain directors, officers, employees and consultants. The Company also offers a stock purchase plan where employees may purchase the Company's common stock each calendar quarter through payroll deductions at 85 percent of market value on the purchase date and the Company recognizes compensation expense on the 15 percent discount.

For option awards, fair value is determined using the Black-Scholes option pricing model, while restricted stock is valued using the closing stock price on the date of grant. The Black-Scholes option pricing model requires the input of subjective assumptions. These assumptions include estimating the expected term until the option awards are either exercised or canceled; the expected volatility of the Company's stock price, for a period approximating the expected term; the risk-free interest rate with a maturity that approximates the option awards expected term; and the dividend yield based on the Company's anticipated dividend payout over the expected term of the option awards. These assumptions are evaluated and revised, as necessary, to reflect market conditions

and historical experience. Stock-based compensation expense is recognized only for those awards expected to vest, with forfeitures estimated at the date of grant based on historical experience. The fair value of the awards expected to vest is amortized over the vesting period. Options and restricted stock generally vest 25 percent after two years and thereafter 25 percent each year for the next three years and options generally have a six-year term. Stock-based compensation expense is included in general and administrative expenses in the Consolidated Statements of Income.

Asset Retirement Obligations

The Company recognizes the future cost to comply with lease obligations at the end of a lease as it relates to tangible long-lived assets in accordance with the accounting standard for the asset retirement and environmental obligations ("ARO") in the Company's consolidated financial statements. Most lease agreements require the Company to restore the leased property to its original condition, including removal of certain long-lived assets the Company has installed, at the end of the lease. A liability for the fair value of an asset retirement obligation along with a corresponding increase to the carrying value of the related long-lived asset is recorded at the time a lease agreement is executed. The Company amortizes the amount added to property and equipment, net and recognizes accretion expense in connection with the discounted liability over the reasonably assured lease term. The estimated liability is based on the Company's historical experience in closing bakery-cafes, fresh dough facilities, and support centers and the related external cost associated with these activities. Revisions to the liability could occur due to changes in estimated retirement costs or changes in lease terms. As of December 29, 2015 and December 30, 2014, the Company's net ARO asset included in property and equipment, net was $10.3 million and $13.3 million, respectively, and its net ARO liability included in other long-term liabilities was $19.5 million and $19.8 million, respectively. ARO accretion expense was $1.0 million, $0.6 million, and $0.6 million for fiscal 2015, fiscal 2014, and fiscal 2013, respectively.

Variable Interest Entities

The Company applies relevant accounting standards for variable interest entities ("VIE"), which defines the process for how an enterprise determines which party consolidates a VIE. The enterprise that consolidates the VIE (the primary beneficiary) is defined as the enterprise with (1) the power to direct activities of the VIE that most significantly affect the VIE's economic performance and (2) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. The Company does not possess any ownership interests in franchise entities or other affiliates. The franchise agreements are designed to provide the franchisee with key decision-making ability to enable it to oversee its operations and to have a significant impact on the success of the franchise, while the Company's decision-making rights are related to protecting its brand. Based upon its analysis of all the relevant facts and considerations of the franchise entities and other affiliates, the Company has concluded that these entities are not variable interest entities and they have not been consolidated as of December 29, 2015. As discussed further at Note 3, the Company also evaluated all of the applicable criteria for an entity subject to consolidation and concluded its interest in a certain bakery-cafe concept is a VIE requiring consolidation.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, "Balance Sheet Classification of Deferred Taxes". This update requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This update is effective for annual and interim reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company plans on adopting this guidance in the first quarter of fiscal 2016.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments". This update eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Acquirers would now recognize measurement-period adjustments during the period in which they determine the amount of the adjustment. This update is effective for annual and interim reporting periods beginning after December 15, 2015, including interim periods within those fiscal years, and should be applied prospectively to adjustments for provisional amounts that occur after the effective date with early adoption permitted for financial statements that have not been issued. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory". This update provides guidance on the subsequent measurement of inventory, which changes the measurement from lower of cost or market to lower of cost and net realizable value. This update is effective for annual and interim periods beginning after December 15, 2016. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". This update requires debt issuance costs related to a recognized debt liability to be presented in the

balance sheet as a direct deduction from the carrying value of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs were not affected by this update. The Company early adopted ASU 2015-03 during the thirteen weeks ended June 30, 2015. As a result of the retrospective adoption, the Company reclassified unamortized debt issuance costs of $0.2 million as of December 30, 2014 from Deposits and other to Long-term debt in the Consolidated Balance Sheets. Adoption of this standard did not impact the Company's results of operations or cash flows in either the current or previous interim and annual reporting periods.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. This update requires management of the Company to evaluate whether there is substantial doubt about the Company’s ability to continue as a going concern. This update is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the effect of the standard but its adoption is not expected to have an impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”. This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU 2015-14 delaying the effective date for adoption. The update is now effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. The update permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect this guidance will have on the Company's consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In April 2014, the FASB issued ASU 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360)”. This update was issued to clarify the reporting for discontinued operations and disclosures for disposals of components of an entity. This update is effective for annual and interim periods beginning after December 15, 2014. The adoption of this update did not have a material effect on the Company’s consolidated financial statements or related disclosures; however, it may impact the reporting of future discontinued operations if and when they occur.

3. Business Combinations and Divestitures

Refranchising Initiative

In February 2015, the Company announced a plan to refranchise approximately 50 to 150 Company-owned bakery-cafes by the end of fiscal 2015.

On March 3, 2015, the Company sold substantially all of the assets of one bakery-cafe to an existing franchisee for cash proceeds of approximately $3.2 million, which resulted in a gain on sale of approximately $2.6 million.

The Company recognized impairment losses of $3.8 million during the thirteen weeks ended March 31, 2015 related to certain under-performing bakery-cafes in one of the refranchised markets for which the Company had signed letters of intent, which were excluded from the proposed sale.

On July 14, 2015, the Company sold substantially all of the assets of 29 bakery-cafes in the Boston market to an existing franchisee for a purchase price of approximately $19.6 million, including $0.5 million for inventory on hand, with $2.0 million held in escrow for certain holdbacks, and recognized a loss on sale of $0.6 million. The holdback amount is primarily to satisfy any indemnification obligations of the Company and will be held in escrow until July 14, 2017, the two-year anniversary of the transaction closing date, with the remaining balance of the holdback amount reverting to the Company.

On October 7, 2015, the Company sold substantially all of the assets of 45 bakery-cafes in the Seattle and Northern California markets to a new franchisee for a purchase price of approximately $26.8 million, including $0.9 million for inventory on hand, and recognized a loss on sale of $1.6 million.

During the thirteen weeks ended December 29, 2015, eight Company-owned bakery-cafes that the Company concluded no longer met all of the criteria required to be classified as held for sale were reclassified to held and used at their depreciated carrying value, assuming depreciation had not ceased while classified as held for sale.

As of December 29, 2015, the Company classified as held for sale the assets and certain liabilities of 35 Company-owned bakery-cafes the Company expects to sell during the next 12 months. During fiscal 2015, the Company recorded losses on assets held for sale of $11.0 million. The Company classifies assets as held for sale and ceases depreciation of the assets when those assets meet the held for sale criteria, as defined in GAAP. The following summarizes the financial statement carrying amounts of assets and liabilities associated with the bakery-cafes classified as held for sale (in thousands):

	December 29, 2015
Inventories	$ 738
Property and equipment, net	26,462
Goodwill	1,499
Assets held for sale	$ 28,699
Deferred rent	$ 2,410
Asset retirement obligation	535
Liabilities associated with assets held for sale	$ 2,945

Assets held for sale were valued using Level 3 inputs, primarily representing information obtained from signed letters of intent. Costs to sell are considered in the estimates of fair value for those assets included in assets held for sale in the Company's Consolidated Balance Sheets.

The following summarizes activity associated with the refranchising initiative recorded in the caption entitled refranchising loss in the Consolidated Statements of Income (in thousands):

	For the fiscal year ended December 29, 2015
Loss on assets held for sale	$ 10,999
Impairment of long-lived assets and lease termination costs	5,461
Professional fees and severance	1,088
Gain on sale of bakery-cafes	(440)
Refranchising loss (1)	$ 17,108

(1) The caption entitled refranchising loss in the Consolidated Statements of Cash Flows as a non-cash adjustment to reconcile net income to net cash provided by operating activities includes only non-cash refranchising amounts.

Tatte Acquisition

On December 7, 2015, the Company acquired a 50.01% interest in Tatte Holdings, LLC (“Tatte”), for a cash contribution of $4.0 million (the “Tatte Acquisition”). Tatte is a bakery-cafe concept with five locations in the Boston area. The Company has evaluated all of the applicable criteria for an entity subject to consolidation under the provisions of the variable interest model and has concluded that Tatte is a VIE requiring consolidation.

The following summarizes the consolidated assets and liabilities of Tatte as of December 7, 2015, including the Company's investment in Tatte, which is eliminated in consolidation (in thousands):

Current assets, including cash	$	4,136
Property and equipment		1,757
Goodwill		2,512
Intangible assets		1,657
Deposits and other		87
Total assets	$	10,149
Current liabilities	$	777
Long-term debt		1,237
Other long-term liabilities		137
Total liabilities		2,151
Redeemable noncontrolling interest		3,998
Panera Bread Company investment in Tatte		4,000
Total liabilities, redeemable noncontrolling interest, and stockholders' equity	$	10,149

Redeemable noncontrolling interest reflects that the noncontrolling interest holder holds a written put option, which will allow them to sell their noncontrolling interest to the Company at any time after the end of the third year after the Tatte Acquisition. In addition to the written put option, the Company holds a call option to acquire the noncontrolling interest after 42 months after the Tatte Acquisition. Under each of these alternatives, the exercise price will be based on a contractually defined multiple of cash flows, subject to certain limitations (the "redemption value"), which is not a fair value measurement and is payable in cash. As the written put option is redeemable at the option of the noncontrolling interest holder, and not solely within the Company's control, the noncontrolling interest in Tatte is classified as temporary equity and reflected in redeemable noncontrolling interest between the Liabilities and Stockholders' Equity sections of the Company's Consolidated Balance Sheets. The initial carrying amount of the noncontrolling interest is the fair value of the noncontrolling interest as of the acquisition date.

The noncontrolling interest is adjusted each period for comprehensive income attributable to the noncontrolling interest and changes in the Company's ownership interest in Tatte, if any. An additional adjustment to the carrying value of the noncontrolling interest may be required if the redemption value exceeds the current carrying value. Changes in the carrying value of the noncontrolling interest related to a change in the redemption value will be recorded against permanent equity and will not affect net income. While there is no impact on net income, the redeemable noncontrolling interest will impact the Company's calculation of earnings per share. Utilizing the two-class method, the Company will adjust the numerator of the earnings per share calculation to reflect the changes in the excess, if any, of the noncontrolling interest's redemption value over the noncontrolling interest carrying amount. The Company did not record any such adjustments as of December 29, 2015.

The pro-forma impact of the Tatte Acquisition on prior periods is not presented, as the impact is not material to reported results. All of the recorded goodwill is included in the Company Bakery-Cafe Operations segment.

Florida Bakery-cafe Acquisition

On April 9, 2013, the Company acquired substantially all the assets of one bakery-cafe from its Hallandale, Florida franchisee for a purchase price of $2.7 million. The Company paid approximately $2.4 million of the purchase price on April 9, 2013 and paid the remaining $0.3 million with interest during fiscal 2014. The Consolidated Statements of Income include the results of operations for the bakery-cafe from the date of its acquisition. The pro-forma impact of the acquisition on prior periods is not presented, as the impact is not material to reported results.

4. Investments Held to Maturity

During fiscal 2013, the Company purchased and sold seven zero-coupon discount notes that were classified as held-to-maturity. The amortized cost of the investments sold was $97.9 million. The Company realized a loss on the sale of less than $0.1 million. The Company sold the investments prior to maturity during fiscal 2013 as a result of higher than anticipated liquidity needs.

5. Fair Value Measurements

The following summarizes assets and liabilities measured at fair value on a recurring basis (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 29, 2015:				
Cash equivalents	$ 2	$ 2	$ —	$ —
Total assets	$ 2	$ 2	$ —	$ —
Interest rate swap liability	$ 2,552	$ —	$ 2,552	$ —
Total liabilities	$ 2,552	$ —	$ 2,552	$ —
December 30, 2014:				
Cash equivalents	$ 92,316	$ 92,316	$ —	$ —
Total assets	$ 92,316	$ 92,316	$ —	$ —

The fair value of the Company's cash equivalents is based on quoted market prices for identical securities. The fair value of the Company's interest rate swaps are determined based on a discounted cash flow analysis on the expected future cash flows of each derivative. This analysis reflects the contractual terms of the derivatives and uses observable market-based inputs, including interest rate curves and credit spreads.

6. Inventories

Inventories consisted of the following (in thousands):

	December 29, 2015	December 30, 2014
Food:		
Fresh dough facilities:		
Raw materials	$ 3,561	$ 3,413
Finished goods	446	460
Bakery-cafes:		
Raw materials	14,819	15,152
Paper goods	3,656	3,786
Total	$ 22,482	$ 22,811

7. Property and Equipment, net

Major classes of property and equipment consisted of the following (in thousands):

	December 29, 2015	December 30, 2014
Leasehold improvements	$ 683,296	$ 693,503
Machinery and equipment	338,500	340,854
Computer hardware and software	192,521	137,663
Furniture and fixtures	159,653	167,383
Construction in progress	97,416	99,255
Smallwares	29,056	29,841
Land	1,604	2,060
	1,502,046	1,470,559
Less: accumulated depreciation	(725,798)	(683,265)
Property and equipment, net	$ 776,248	$ 787,294

The Company recorded depreciation expense related to these assets of $126.7 million, $115.4 million, and $97.2 million during fiscal 2015, fiscal 2014, and fiscal 2013, respectively.

8. Goodwill

The following is a reconciliation of the beginning and ending balances of the Company's goodwill by reportable segment at December 29, 2015 and December 30, 2014 (in thousands):

	Company Bakery-Cafe Operations	Franchise Operations	Fresh Dough and Other Product Operations	Total
Balance as of December 31, 2013	$ 119,384	$ 1,934	$ 1,695	$ 123,013
Impairment charge	(2,057)	—	—	(2,057)
Currency translation	(178)	—	—	(178)
Balance as of December 30, 2014	$ 117,149	$ 1,934	$ 1,695	$ 120,778
Acquisition of Tatte	2,512	—	—	2,512
Goodwill classified as held for sale	(1,499)	—	—	(1,499)
Balance as of December 29, 2015	$ 118,162	$ 1,934	$ 1,695	$ 121,791

The Company did not record a goodwill impairment charge in either fiscal 2015 or fiscal 2013. The Company recorded a $2.1 million full impairment charge of goodwill for the Canadian bakery-cafe operations reporting unit during fiscal 2014.

9. Other Intangible Assets

Other intangible assets consisted of the following (in thousands):

	December 29, 2015			December 30, 2014		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Trademark	$ 7,080	$ (2,283)	$ 4,797	$ 5,610	$ (2,017)	$ 3,593
Re-acquired territory rights	97,865	(40,432)	57,433	97,865	(32,369)	65,496
Favorable leases	5,012	(3,365)	1,647	4,825	(2,974)	1,851
Total other intangible assets	$ 109,957	$ (46,080)	$ 63,877	$ 108,300	$ (37,360)	$ 70,940

Amortization expense on these intangible assets for fiscal 2015, fiscal 2014, and fiscal 2013, was approximately $8.7 million, $8.7 million, and $9.3 million, respectively. Future amortization expense on these intangible assets as of December 29, 2015 is

estimated to be approximately: $8.8 million in fiscal 2016, $8.8 million in fiscal 2017, $8.7 million in fiscal 2018, $8.3 million in fiscal 2019, $7.2 million in fiscal 2020 and $22.1 million thereafter.

10. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	December 29, 2015	December 30, 2014
Unredeemed gift cards, net	$ 123,363	$ 105,576
Compensation and related employment taxes	64,882	59,442
Capital expenditures	53,914	56,808
Insurance	37,208	32,559
Taxes, other than income tax	20,206	21,068
Fresh dough and other product operations	10,854	6,812
Occupancy costs	8,594	7,263
Deferred revenue	5,690	5,291
Advertising	5,242	10,147
Utilities	4,581	5,527
Loyalty program	2,653	2,525
Other	22,277	20,183
Total	$ 359,464	$ 333,201

11. Debt

Long-term debt consisted of the following (in thousands):

	December 29, 2015	December 30, 2014
2014 Term Loan	$ 100,000	$ 100,000
2015 Term Loan	296,250	—
2015 Note Payable	10,144	—
Debt assumed in Tatte acquisition	1,147	—
Aggregate unamortized lender fees and issuance costs	(1,341)	(216)
Total carrying amount	406,200	99,784
Current portion of long-term debt	17,229	—
Long-term debt	$ 388,971	$ 99,784

Term Loans

On June 11, 2014, the Company entered into a term loan agreement (the "2014 Term Loan Agreement"), by and among the Company, as borrower, Bank of America, N.A., as administrative agent, and other lenders party thereto. The 2014 Term Loan Agreement provides for an unsecured term loan in the amount of $100 million (the "2014 Term Loan"). The 2014 Term Loan is scheduled to mature on July 11, 2019, subject to acceleration upon certain specified events of default, including breaches of representations or covenants, failure to pay other material indebtedness or a change of control of the Company, as defined in the 2014 Term Loan Agreement. The Company incurred lender fees and issuance costs totaling $0.2 million in connection with the issuance of the 2014 Term Loan. The lender fees and issuance costs are being amortized to expense over the term of the 2014 Term Loan.

On July 16, 2015, the Company entered into a term loan agreement (the "2015 Term Loan Agreement"), with Bank of America, N.A., as administrative agent, and other lenders party thereto. The 2015 Term Loan Agreement provides for an unsecured term loan in the amount of $300 million (the "2015 Term Loan"). The 2015 Term Loan is scheduled to mature on July 16, 2020, subject to acceleration upon certain specified events of default, including breaches of representations or covenants, failure to pay other material indebtedness or a change of control of the Company, as defined in the 2015 Term Loan Agreement, and is amortized in equal quarterly installments in an amount equal to 1.25 percent of the original principal amount of the 2015 Term Loan. The Company incurred lender fees and issuance costs totaling $1.4 million in connection with the issuance of the 2015 Term Loan. The lender fees and issuance costs are being amortized to expense over the term of the 2015 Term Loan. As of December 29,

2015, $14.7 million of the 2015 Term Loan's carrying amount is presented as the Current portion of long-term debt in the Consolidated Balance Sheets.

Each of the 2014 Term Loan and 2015 Term Loan bears interest at a rate equal to, at the Company's option, (1) the Eurodollar rate plus a margin ranging from 1.00 percent to 1.50 percent depending on the Company's consolidated leverage ratio or (2) the highest of (a) the Bank of America prime rate, (b) the Federal funds rate plus 0.50 percent or (c) the Eurodollar rate plus 1.00 percent, plus a margin ranging from 0.00 percent to 0.50 percent depending on the Company's consolidated leverage ratio. The Company's obligations under the 2014 Term Loan Agreement and 2015 Term Loan Agreement are guaranteed by certain of its direct and indirect subsidiaries.

The weighted-average interest rate for the 2014 Term Loan, excluding the amortization of issuance costs, was 1.21 percent and 1.15 percent for fiscal 2015 and fiscal 2014, respectively. The weighted-average interest rate for the 2015 Term Loan, excluding the amortization of lender fees and issuance costs, was 1.33 percent for fiscal 2015. As of December 29, 2015, the carrying amounts of the 2014 Term Loan and 2015 Term Loan approximate fair value as the interest rates approximate current market rates (Level 2 inputs).

On July 16, 2015, in order to hedge the variability in cash flows from changes in benchmark interest rates, the Company entered into two forward-starting interest rate swap agreements with an aggregate initial notional value of $242.5 million. The forward-starting interest rate swaps have been designated as cash flow hedging instruments. See Note 12 for information on the Company's interest rate swaps.

Installment Payment Agreement

On September 15, 2015, the Company entered into a Master Installment Payment Agreement (the "Master IPA") with PNC Equipment Finance, LLC ("PNC") pursuant to which PNC financed the Company's purchase of hardware, software, and services associated with new storage virtualization and disaster recovery systems. The Master IPA provides for a secured note payable in the amount of $12.7 million (the "2015 Note Payable"), payable in five annual installments beginning November 1, 2015 and each September 1st thereafter. As of December 29, 2015, there was $10.1 million outstanding under the Master IPA, and $2.5 million of the Master IPA is presented as the Current portion of long-term debt in the Consolidated Balance Sheets.

Revolving Credit Agreements

On November 30, 2012, the Company entered into a credit agreement (the "2012 Credit Agreement") with Bank of America, N.A. and other lenders party thereto. The 2012 Credit Agreement provided for an unsecured revolving credit facility of $250 million that would have become due on November 30, 2017. As of December 30, 2014, the Company had no loans outstanding under the 2012 Credit Agreement.

On July 16, 2015, the Company terminated the 2012 Credit Agreement and entered into a new credit agreement (the "2015 Credit Agreement"), with Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and each lender from time to time party thereto. The 2015 Credit Agreement provides for an unsecured revolving credit facility of $250 million that will become due on July 16, 2020, subject to acceleration upon certain specified events of default, including breaches of representations or covenants, failure to pay other material indebtedness or a change of control of the Company, as defined in the 2015 Credit Agreement. The 2015 Credit Agreement provides that the Company may select interest rates under the credit facility equal to, at the Company's option, (1) the Eurodollar rate plus a margin ranging from 1.00 percent to 1.50 percent depending on the Company's consolidated leverage ratio or (2) the highest of (a) the Bank of America prime rate, (b) the Federal funds rate plus 0.50 percent or (c) the Eurodollar rate plus 1.00 percent, plus a margin ranging from 0.00 percent to 0.50 percent depending on the Company's consolidated leverage ratio. As of December 29, 2015, the Company had no loans outstanding under the 2015 Credit Agreement.

The 2014 Term Loan Agreement, 2015 Term Loan Agreement and 2015 Credit Agreement contain customary affirmative and negative covenants, including covenants limiting liens, dispositions, fundamental changes, investments, indebtedness, and certain transactions and payments. In addition, such term loan and credit agreements contain various financial covenants that, among other things, require the Company to satisfy two financial covenants at the end of each fiscal quarter: (1) a consolidated leverage ratio less than or equal to 3.00 to 1.00, and (2) a consolidated fixed charge coverage ratio of greater than or equal to 2.00 to 1.00. As of December 29, 2015, the Company was in compliance with all covenant requirements.

12. Derivative Financial Instruments

The Company enters into derivative instruments solely for risk management purposes. To the extent the Company's cash-flow hedging instruments are effective in offsetting the variability in the hedged cash flows, and otherwise meet the cash flow hedge accounting criteria, changes in the derivatives' fair value are not included in current earnings but are included in accumulated other

comprehensive income (loss), net of tax in the Consolidated Balance Sheets. These changes in fair value will be reclassified into earnings at the time of the forecasted transaction. By using these instruments, the Company exposes itself, from time to time, to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. The Company minimizes this credit risk by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from changes in interest rates. The Company minimizes this market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

On July 16, 2015, the Company entered into two forward-starting interest rate swap agreements with an aggregate initial notional value of $242.5 million to hedge a portion of the cash flows of its term loan borrowings. For each of the swaps, the Company has agreed to exchange with a counterparty the difference between fixed and variable interest amounts calculated by reference to an agreed-upon principal amount.

The following table summarizes the Company's interest rate swaps as of December 29, 2015:

Trade Date	Effective Date	Term (in Years)	Notional Amount (in thousands)	Fixed Rate
July 16, 2015	July 11, 2016	4	$ 100,000	1.75%
July 16, 2015	July 18, 2016	5	142,500	1.97%

The notional amount for the interest rate swap with an effective date of July 18, 2016 decreases quarterly by $1.9 million over the five-year term of the interest rate swap beginning in September 2016.

The interest rate swaps, which have been designated and qualify as cash flow hedges, are recorded at fair value in other long-term liabilities in the Consolidated Balance Sheets. The fair value of the interest rate swaps was approximately $2.6 million as of December 29, 2015. The change in fair value of the interest rate swaps resulted in an after-tax loss of approximately $1.5 million as of December 29, 2015, which is recorded in accumulated other comprehensive income (loss). A net of tax loss of approximately $0.7 million is expected to be reclassified from accumulated other comprehensive income (loss) to earnings within the next twelve months. The Company did not recognize a gain or loss due to hedge ineffectiveness during fiscal 2015.

The Company does not hold or use derivative instruments for trading purposes. The Company also does not have any derivatives not designated as hedging instruments and has not designated any non-derivatives as hedging instruments.

13. Share Repurchase Authorization

On August 23, 2012, the Company's Board of Directors approved a three year share repurchase authorization of up to $600 million of the Company's Class A common stock (the "2012 repurchase authorization"), pursuant to which the Company repurchased shares on the open market under a Rule 10b5-1 plan. During fiscal 2014, the Company repurchased 514,357 shares under the 2012 share repurchase authorization, at an average price of $170.15 per share, for an aggregate purchase price of approximately $87.5 million. During fiscal 2013, the Company repurchased 1,992,250 shares under the 2012 repurchase authorization, at an average price of $166.73 per share, for an aggregate purchase price of approximately $332.1 million. On June 5, 2014, the Company's Board of Directors terminated the 2012 repurchase authorization.

On June 5, 2014, the Company's Board of Directors approved a new three year share repurchase authorization of up to $600 million of the Company's Class A common stock (the "2014 repurchase authorization"), pursuant to which the Company may repurchase shares from time to time on the open market or in privately negotiated transactions and which may be made under a Rule 10b5-1 plan. Repurchased shares may be retired immediately and resume the status of authorized but unissued shares or may be held by the Company as treasury stock. The 2014 repurchase authorization may be modified, suspended, or discontinued by the Company's Board of Directors at any time. During fiscal 2014, the Company repurchased 427,521 shares under the 2014 repurchase authorization, at an average price of $155.78 per share, for an aggregate purchase price of approximately $66.6 million. In total, during fiscal 2014, the Company repurchased 941,878 shares under the 2012 and 2014 repurchase authorizations, at an average price of $163.62 per share, for an aggregate purchase price of approximately $154.1 million.

On April 15, 2015, our Board of Directors approved an increase of the 2014 repurchase authorization to $750 million. During fiscal 2015, the Company repurchased 2,201,719 shares under the 2014 repurchase authorization, at an average price of $181.65 per share, for an aggregate purchase price of approximately $399.9 million. There was approximately $283.5 million available under the 2014 repurchase authorization as of December 29, 2015.

In addition, the Company has repurchased shares of its Class A common stock through a share repurchase authorization approved by its Board of Directors from participants of the Panera Bread 2006 Stock Incentive Plan and the Panera Bread 2015 Stock Incentive Plan, which are netted and surrendered as payment for applicable tax withholding on the vesting of their restricted stock. Shares surrendered by the participants are repurchased by the Company pursuant to the terms of those plans and the applicable award agreements and not pursuant to publicly announced share repurchase authorizations. See Note 16 for further information with respect to the Company's repurchase of the shares.

14. Commitments and Contingencies

Lease Commitments

The Company is obligated under operating leases for its bakery-cafes, fresh dough facilities and trucks, and support centers. Lease terms for its trucks are generally for five to seven years. The reasonably assured lease term for most bakery-cafe and support center leases is the initial non-cancelable lease term plus one renewal option period, which generally equates to an aggregate of 15 years. The reasonably assured lease term for most fresh dough facility leases is the initial non-cancelable lease term plus one to two renewal periods, which generally equates to an aggregate of 20 years. Lease terms generally require the Company to pay a proportionate share of real estate taxes, insurance, common area, and other operating costs. Certain bakery-cafe leases provide for contingent rental (i.e., percentage rent) payments based on sales in excess of specified amounts, scheduled rent increases during the lease terms, and/or rental payments commencing at a date other than the date of initial occupancy.

Aggregate minimum requirements under non-cancelable operating leases, excluding contingent payments, as of December 29, 2015, were as follows (in thousands):

Fiscal Years						
2016	2017	2018	2019	2020	Thereafter	Total
$ 149,882	148,430	145,041	138,941	130,083	659,087	$ 1,371,464

Rental expense under operating leases was approximately $146.6 million, $138.0 million, and $130.0 million in fiscal 2015, fiscal 2014, and fiscal 2013, respectively, which included contingent (i.e., percentage rent) expense of $2.0 million, $1.5 million, and $2.2 million, respectively.

The Company complies with lease obligations at the end of a lease as it relates to tangible long-lived assets, in accordance with the accounting guidance for asset retirement obligations. The liability as of December 29, 2015 and December 30, 2014 was $19.5 million and $19.8 million, respectively, and is included in other long-term liabilities in the Consolidated Balance Sheets.

In connection with the Company's relocation of its St. Louis, Missouri support center in fiscal 2010, it simultaneously entered into a capital lease for certain personal property and purchased municipal industrial revenue bonds of a similar amount from St. Louis County, Missouri. As of December 29, 2015 and December 30, 2014, the Company held industrial revenue bonds and had recorded a capital lease of $0.9 million and $1.1 million in the Consolidated Balance Sheets, respectively.

The following table summarizes sale-leaseback transactions for the periods indicated (dollars in thousands):

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Number of bakery-cafes sold and leased back	4	6	3
Proceeds from sale-leaseback transactions	$ 10,095	$ 12,900	$ 6,132

The leases have been classified as either capital or operating leases, depending on the substance of the transaction, and have initial terms of 15 years, with renewal options of up to 20 years. The Company realized gains on these sales totaling $0.4 million, $0.3 million, and $0.3 million during fiscal 2015, fiscal 2014, and fiscal 2013, respectively, which have been deferred and are being recognized on a straight-line basis over the reasonably assured lease term for the leases.

Lease Guarantees

As of December 29, 2015, the Company has guaranteed the operating leases of 75 franchisee locations, which the Company accounted for in accordance with the accounting requirements for guarantees. These guarantees are primarily a result of the Company's sales of Company-owned bakery-cafes to franchisees, pursuant to which the Company exercised its right to assign the

lease for the bakery-cafe but remain liable to the landlord in the event of a default by the assignee. These guarantees expire on various dates from July 15, 2020 to February 28, 2049, with a maximum potential amount of future rental payments of approximately $244.4 million as of December 29, 2015. The obligation from these leases will decrease over time as these operating leases expire. The Company has not recorded a liability for these guarantees because the fair value of these lease guarantees was determined by the Company to be insignificant individually, and in the aggregate, based on an analysis of the facts and circumstances of each such lease and each such assignee's performance, and the Company did not believe it was probable that it would be required to perform under any guarantees at the time the guarantees were issued. The Company has not had to make any payments related to any of these guaranteed leases. Applicable assignees continue to have primary liability for these operating leases. As of December 29, 2015, future commitments under these leases were as follows (in thousands):

Fiscal Years						
2,016	2017	2018	2019	2020	Thereafter	Total
$ 11,832	12,092	12,409	12,549	12,623	182,907	$ 244,412

Employee Commitments

The Company has executed confidential and proprietary information and non-competition agreements ("non-compete agreements") with certain employees. These non-compete agreements contain a provision whereby employees would be due a certain number of weeks of their salary if their employment was terminated by the Company as specified in the non-compete agreement. The Company has not recorded a liability for these amounts potentially due employees. Rather, the Company will record a liability for these amounts when an amount becomes due to an employee in accordance with the appropriate authoritative literature. As of December 29, 2015, the total amount potentially owed employees under these non-compete agreements was $24.8 million.

Legal Proceedings

On July 2, 2014, a purported class action lawsuit was filed against one of the Company's subsidiaries by Jason Lofstedt, a former employee of one of the Company's subsidiaries. The lawsuit was filed in the California Superior Court, County of Riverside. The complaint alleges, among other things, violations of the California Labor Code, failure to pay overtime, failure to provide meal and rest periods, and violations of California's Unfair Competition Law. The complaint seeks, among other relief, collective and class certification of the lawsuit, unspecified damages, costs and expenses, including attorneys' fees, and such other relief as the Court might find just and proper. In addition, more recently, several other purported class action lawsuits based on similar claims and seeking similar damages were filed against the subsidiary: on October 30, 2015 in the California Superior Court, County of San Bernardino by Jazmin Dabney, a former subsidiary employee; on November 3, 2015, in the United States District Court, Eastern District of California by Clara Manchester, a former subsidiary employee; and on November 30, 2015 in the California Superior Court, County of Yolo by Tanner Maginnis, a current subsidiary assistant manager. The Company believes its subsidiary has meritorious defenses to each of the claims in these lawsuits and is prepared to vigorously defend the allegations therein. There can be no assurance, however, that the Company's subsidiary will be successful, and an adverse resolution of any one of these lawsuits could have a material adverse effect on the Company's consolidated financial position and results of operations in the period in which one or all of these lawsuits are resolved. The Company is not presently able to reasonably estimate potential losses, if any, related to the lawsuits.

In addition to the legal matters described above, the Company is subject to various legal proceedings, claims, and litigation that arise in the ordinary course of its business. Defending lawsuits requires significant management attention and financial resources and the outcome of any litigation, including the matter described above, is inherently uncertain. The Company does not believe the ultimate resolution of these actions will have a material adverse effect on its consolidated financial statements. However, a significant increase in the number of these claims, or one or more successful claims under which the Company incurs greater liabilities than is currently anticipated, could materially and adversely affect its consolidated financial statements.

Other

The Company is subject to on-going federal and state income tax audits and sales and use tax audits. The Company does not believe the ultimate resolution of these actions will have a material adverse effect on its consolidated financial statements. However, a significant increase in the number of these audits, or one or more audits under which the Company incurs greater liabilities than is currently anticipated, could materially and adversely affect its consolidated financial statements. The Company believes reserves for these matters are adequately provided for in its consolidated financial statements.

15. Income Taxes

The components of income (loss) before income taxes, by tax jurisdiction, were as follows for the periods indicated (in thousands):

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
United States	$ 242,860	$ 285,564	$ 317,479
Canada	(6,288)	(8,270)	(4,759)
Income before income taxes	$ 236,572	$ 277,294	$ 312,720

The provision for income taxes consisted of the following for the periods indicated (in thousands):

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Current taxes:			
U.S. federal	$ 83,005	$ 73,234	$ 87,548
U.S. state and local	16,242	14,306	18,638
Total current taxes	99,247	87,540	106,186
Deferred taxes:			
U.S. federal	(9,737)	9,609	8,547
U.S. state and local	(2,263)	950	1,804
Foreign	—	(98)	14
Total deferred taxes	$ (12,000)	$ 10,461	$ 10,365
Total provision for income taxes	$ 87,247	$ 98,001	$ 116,551

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate is as follows for the periods indicated:

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Statutory U.S. federal rate	35.0%	35.0%	35.0%
U.S. state and local income taxes, net of federal tax benefit	4.1	4.1	4.5
U.S. federal tax credits	(1.8)	(1.4)	(0.8)
Other, including discrete tax items	(0.4)	(2.4)	(1.4)
Effective tax rate	36.9%	35.3%	37.3%

The Company’s higher effective tax rate for fiscal 2015 as compared to fiscal 2014 was primarily due to the discrete income tax benefits reported during fiscal 2014 related to additional federal and state tax credits and an increased deduction for domestic production activities.

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities were as follows for the periods indicated (in thousands):

	December 29, 2015	December 30, 2014
Deferred tax assets:		
Accrued expenses	$ 75,360	$ 72,891
Foreign net operating loss carryforward	4,938	4,178
Stock-based compensation	4,705	3,125
Other	2,160	1,701
Less: valuation allowance	(5,299)	(4,625)
Total deferred tax assets	$ 81,864	$ 77,270
Deferred tax liabilities:		
Property and equipment	$ (92,580)	$ (101,533)
Goodwill and other intangibles	(25,252)	(23,705)
Total deferred tax liabilities	$ (117,832)	$ (125,238)
Net deferred tax liability	$ (35,968)	$ (47,968)
Current deferred income tax assets	$ 34,479	$ 28,621
Long-term deferred income tax liabilities	$ (70,447)	$ (76,589)

In assessing the realization of deferred tax assets, the Company considers the generation of future taxable income and utilizes a more likely than not standard to determine if deferred tax assets will be realized. Based on this assessment, the Company has recorded a valuation allowance of $5.3 million and $4.6 million as of December 29, 2015 and December 30, 2014, respectively, as a full valuation allowance against all Canadian deferred tax assets, including the net operating loss carryforwards of the Company's Canadian operations. The Company's Canadian net operating loss carryforwards begin expiring in 2027.

As of both December 29, 2015 and December 30, 2014, the amount of unrecognized tax benefits that, if recognized in full, would be recorded as a reduction of income tax expense was $6.1 million, inclusive of applicable interest and penalties and net of federal tax benefits, respectively. Estimated interest and penalties related to the underpayment of income taxes are classified as a component of income tax expense in the Consolidated Statements of Income. These amounts were income of $0.2 million, expense of $0.3 million, and income of $0.1 million during fiscal 2015, fiscal 2014, and fiscal 2013, respectively. Accrued interest and penalties were $0.9 million and $1.4 million as of December 29, 2015 and December 30, 2014, respectively.

The following is a rollforward of the Company's liability for unrecognized tax benefits for the periods indicated (in thousands):

	December 29, 2015	December 30, 2014	December 31, 2013
Beginning balance	$ 6,455	$ 2,999	$ 3,051
Tax positions related to the current year:			
Additions	1,339	1,536	653
Tax positions related to prior years:			
Additions	—	2,671	256
Reductions	(483)	—	(49)
Settlements	(200)	(131)	(425)
Expiration of statutes of limitations	(443)	(620)	(487)
Ending balance	$ 6,668	$ 6,455	$ 2,999

The U.S. Internal Revenue Service has completed exams of the Company's U.S. federal tax returns for fiscal years 2012 and prior. While certain state returns in fiscal years 2002 through 2011 may be subject to future assessment by taxing authorities, the Company is no longer subject to examination in Canada and most states in fiscal years prior to 2012.

It is reasonably possible that the Company's liability for unrecognized tax benefits with respect to the Company's uncertain tax positions will increase or decrease during the next twelve months; however, an estimate of the amount or range of the change cannot be made at this time.

16. Stockholders' Equity

Common Stock

The holders of Class A common stock are entitled to one vote for each share owned. The holders of Class B common stock are entitled to three votes for each share owned. Each share of Class B common stock has the same dividend and liquidation rights as each share of Class A common stock. Each share of Class B common stock is convertible, at the stockholder's option, into Class A common stock on a one-for-one basis. At December 29, 2015, the Company had reserved 3,041,295 shares of its Class A common stock for issuance upon exercise of awards granted under the Company's 1992 Equity Incentive Plan, 2001 Employee, Director, and Consultant Stock Option Plan, the 2006 Stock Incentive Plan, and the 2015 Stock Incentive Plan, and upon conversion of Class B common stock.

Registration Rights

At December 29, 2015, 94.9 percent of the outstanding Class B common stock was owned by the Company's Chairman of the Board and Chief Executive Officer (the "Chairman"). Pursuant to stock subscription agreements, certain holders of Class B common stock, including the Chairman, can require the Company under certain circumstances to register their shares under the Securities Act of 1933, or have included in certain registrations all or part of such shares at the Company's expense.

Preferred Stock

The Company is authorized to issue 2,000,000 shares of Class B preferred stock with a par value of $0.0001. The voting, redemption, dividend, liquidation rights, and other terms and conditions are determined by the Board of Directors upon approval of issuance. There were no shares issued or outstanding in fiscal 2015 and 2014.

Treasury Stock

Pursuant to the terms of the Panera Bread 2006 Stock Incentive Plan and the Panera Bread 2015 Stock Incentive Plan, and the applicable award agreements, the Company repurchased 28,018 shares of Class A common stock at a weighted-average cost of $196.78 per share during fiscal 2015, 35,461 shares of Class A common stock at a weighted-average cost of $151.17 per share during fiscal 2014, and 41,601 shares of Class A common stock at a weighted-average cost of $172.79 per share during fiscal 2013, as were surrendered by participants as payment of applicable tax withholdings on the vesting of restricted stock and SSARs. Shares so surrendered by the participants are repurchased by the Company at fair market value pursuant to the terms of those plans and the applicable award agreements and not pursuant to publicly announced share repurchase authorizations. The shares surrendered to the Company by participants and repurchased by the Company are currently held by the Company as treasury stock.

Share Repurchase Authorization

During fiscal 2015, fiscal 2014, and fiscal 2013, the Company purchased shares of Class A common stock under authorized share repurchase authorizations. Repurchased shares may be retired immediately and resume the status of authorized but unissued shares or may be held by the Company as treasury stock. See Note 13 for further information with respect to the Company's share repurchase authorizations.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income reported on the Company's Consolidated Balance Sheets consists of foreign currency translation adjustments and the unrealized gains and losses, net of applicable taxes, on derivative instruments designated and qualifying as cash flow hedges.

The following tables summarize changes in accumulated other comprehensive income (loss), net of tax, for fiscal 2015 and fiscal 2014 (in thousands):

	Foreign Currency Translation Adjustment	Cash Flow Hedging Instruments	Total
December 29, 2015			
Net gains (losses), beginning of period	$ (1,360)	$ —	$ (1,360)
Net gains (losses) recognized before reclassification	(2,126)	(1,543)	(3,669)
Net gains (losses) reclassified to earnings	—	—	—
Other comprehensive income (loss), net of tax	(2,126)	(1,543)	(3,669)
Net gains (losses), end of period	$ (3,486)	$ (1,543)	$ (5,029)
December 30, 2014			
Net gains (losses), beginning of period	$ (333)	$ —	$ (333)
Net gains (losses) recognized before reclassification	(1,027)	—	(1,027)
Net gains (losses) reclassified to earnings	—	—	—
Other comprehensive income (loss), net of tax	(1,027)	—	(1,027)
Net gains (losses), end of period	$ (1,360)	$ —	$ (1,360)

17. Stock-Based Compensation

As of December 29, 2015, the Company had one active stock-based compensation plan, the 2015 Stock Incentive Plan (the “2015 Plan”), and had incentive stock options, non-statutory stock options and stock settled appreciation rights (collectively “option awards”) and restricted stock outstanding (but can make no future grants) under three other stock-based compensation plans, the 1992 Equity Incentive Plan (the “1992 Plan”), the 2006 Stock Incentive plan (the "2006 Plan"), and the 2001 Employee, Director, and Consultant Stock Option Plan (the “2001 Plan”).

2015 Stock Incentive Plan

In fiscal 2015, the Company’s Board of Directors adopted the 2015 Plan, which was approved by the Company’s stockholders in May 2015. The 2015 Plan provides for the grant of up to 1,750,000 shares of the Company’s Class A common stock (subject to adjustment in the event of stock splits or other similar events) as option awards, restricted stock, restricted stock units, and other stock-based awards. As a result of stockholder approval of the 2015 Plan, effective as of May 21, 2015, the Company will grant no further stock options, restricted stock or other awards under the 2006 Plan. The Company’s Board of Directors administers the 2015 Plan and has sole discretion to grant awards under the 2015 Plan. The Company’s Board of Directors has delegated the authority to grant awards under the 2015 Plan, other than to the Company’s Chairman of the Board and Chief Executive Officer, to the Company’s Compensation and Management Development Committee (the “Compensation Committee”).

Long-Term Incentive Program

In fiscal 2005, the Company adopted the 2005 Long Term Incentive Plan (the “2005 LTIP”) as a sub-plan under the 2001 Employee, Director, and Consultant Stock Option Plan (the “2001 Plan”) and the 1992 Equity Incentive Plan (the “1992 Plan”). In May 2006, the Company amended the 2005 LTIP to provide that the 2005 LTIP is a sub-plan under the 2006 Plan. In August 2015, the Company further amended the 2005 LTIP to provide that the 2005 LTIP is a sub-plan under the 2015 Plan. Under the amended 2005 LTIP, certain directors, officers, employees, and consultants, subject to approval by the Compensation Committee, may be selected as participants eligible to receive a percentage of their annual salary in future years, subject to the terms of the 2006 Plan. This percentage is based on the participant's level in the Company. In addition, the payment of this incentive can be made in several forms based on the participant's level including performance awards (payable in cash or common stock or some combination of cash and common stock as determined by the Compensation Committee), restricted stock, choice awards of restricted stock and/or stock settled appreciation rights (“SSARs”) (or, if determined by the Compensation Committee, stock options), or deferred annual bonus match awards. The Compensation Committee may consider the Company’s performance relative to the performance of its peers in determining the payout of performance awards, as further discussed below.

For fiscal 2015, fiscal 2014 and fiscal 2013, compensation expense related to performance awards, restricted stock, options, SSARs, and deferred annual bonus match was $16.4 million, $11.1 million, and $16.0 million, net of capitalized compensation expense of $1.5 million, $1.1 million, and $0.9 million, respectively.

Performance awards under the 2005 LTIP are earned by participants based on achievement of performance goals established by the Compensation Committee. The performance period relating to the performance awards is a three-fiscal-year period. The performance goals, including each performance metric, weighting of each metric, and award levels for each metric, for such awards are communicated to each participant and are based on various predetermined earnings metrics. The performance awards are earned based on achievement of predetermined earnings performance metrics at the end of the three-fiscal-year performance period, assuming continued employment, and after the Compensation Committee's consideration of the Company's performance relative to the performance of its peers. The performance awards range from 0 percent to 300 percent of the participant's salary based on their level in the Company and the level of achievement of each performance metric. However, the actual award payment will be adjusted, based on the Company's performance over a three-consecutive fiscal year measurement period, and any other factors as determined by the Compensation Committee. The actual award payment for the performance award component could double the individual's targeted award payment, if the Company achieves maximum performance in all of its performance metrics, subject to any adjustments as determined by the Compensation Committee. The performance awards have generally been paid 100 percent in cash but may be paid in some other combination of cash and common stock as determined by the Compensation Committee. In fiscal 2015, in lieu of a performance award, the Compensation Committee granted a restricted stock award and a choice award, each which will vest in full on the third anniversary of the grant date in an aggregate amount having a value at the time of grant equal to the participant's targeted performance award payment. For fiscal 2015, fiscal 2014, and fiscal 2013, compensation expense related to the performance awards was $2.0 million, $1.2 million, and $4.3 million, net of capitalized compensation expense of less than $0.1 million, $0.1 million, and $0.2 million, respectively.

Restricted stock of the Company under the 2005 LTIP is granted at no cost to participants. While participants are generally entitled to voting rights with respect to their respective shares of restricted stock, participants are generally not entitled to receive accrued cash dividends, if any, on restricted stock unless and until such shares have vested. The Company does not currently pay a dividend, and has no current plans to do so. For awards of restricted stock granted to date under the 2005 LTIP, restrictions generally limit the sale or transfer of these shares during a five year period whereby the restrictions lapse on 25 percent of these shares after two years and thereafter 25 percent each year for the next three years, subject to continued employment with the Company. In the event a participant is no longer employed by the Company, any unvested shares of restricted stock held by that participant will be forfeited. Upon issuance of restricted stock under the 2005 LTIP, unearned compensation is recorded at fair value on the date of grant to stockholders' equity and subsequently amortized to expense over the five year restriction period. The fair value of restricted stock is based on the market value of the Company's stock on the grant date. As of December 29, 2015, there was $46.5 million of total unrecognized compensation cost related to restricted stock included in additional paid-in capital in the Consolidated Balance Sheets. This unrecognized compensation cost is expected to be recognized over a weighted-average period of approximately 3.4 years. For fiscal 2015, fiscal 2014, and fiscal 2013, restricted stock expense was $12.6 million, $8.3 million, and $9.2 million, net of capitalized compensation expense of $1.3 million, $0.9 million, and $0.6 million, respectively. For fiscal 2015, fiscal 2014, and fiscal 2013, the income tax benefit related to restricted stock expense was $5.0 million, $3.3 million, and $3.4 million, respectively.

A summary of the status of the Company's restricted stock activity is set forth below:

	Restricted Stock (in thousands)	Weighted Average Grant-Date Fair Value
Non-vested at December 30, 2014	325	$ 142.41
Granted	154	187.76
Vested	(82)	121.46
Forfeited	(49)	151.05
Non-vested at December 29, 2015	348	$ 166.15

Under the deferred annual bonus match award portion of the 2005 LTIP, eligible participants received an additional 50 percent of their annual bonus, which was to be paid three years after the date of the original bonus payment provided the participant was still employed by the Company. For fiscal 2015, fiscal 2014, and fiscal 2013, compensation expense related to deferred annual bonus match awards was $1.1 million, $1.3 million, and $2.1 million, net of capitalized compensation expense of $0.1 million, $0.1 million, and $0.1 million, respectively, and was included in general and administrative expenses in the Consolidated Statements of Income. The Company determined that it would no longer grant the deferred annual bonus match award portion under the 2005 LTIP beginning with the 2014 measurement year. Compensation expense related to deferred annual bonus match awards for years prior to fiscal 2014 will continue to be recognized through fiscal 2016.

Stock options under the 2005 LTIP are granted with an exercise price equal to the quoted market value of the Company's common stock on the date of grant. In addition, stock options generally vest 25 percent after two years from the date of grant and thereafter 25 percent each year for the next three years and have a six-year term. The Company uses historical data to estimate pre-vesting forfeiture rates. As of December 29, 2015, there was no unrecognized compensation cost related to non-vested options. For fiscal 2015, fiscal 2014, and fiscal 2013, stock-based compensation expense related to stock options charged to general and administrative expenses was $0.2 million, $0.1 million, and $0.2 million, respectively.

The following table summarizes the Company's stock option activity under its stock-based compensation plans during fiscal 2015:

	Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Contractual Term Remaining (Years)	Aggregate Intrinsic Value (1) (in thousands)
Outstanding at December 30, 2014	16	$ 120.97		
Granted	3	174.80		
Exercised	(4)	67.94		470
Cancelled	—	—		
Outstanding at December 29, 2015	15	$ 146.79	2.9	726
Exercisable at December 29, 2015	15	$ 146.79	2.9	$ 726

(1) Intrinsic value for activities other than exercises is defined as the difference between the grant price and the market value on the last day of fiscal 2015 of $197.08 for those stock options where the market value is greater than the exercise price. For exercises, intrinsic value is defined as the difference between the grant price and the market value on the date of exercise.

Cash received from the exercise of stock options in fiscal 2015, fiscal 2014, and fiscal 2013 was $0.3 million, $1.1 million, and $0.6 million, respectively. Windfall tax benefits realized from exercised stock options in fiscal 2015, fiscal 2014, and fiscal 2013 were $2.1 million, $3.1 million, and $8.1 million, respectively, and were included as cash flows from financing activities in the Consolidated Statements of Cash Flows.

A SSAR is an award that allows the recipient to receive common stock equal to the appreciation in the fair market value of the Company's Class A common stock between the date the award was granted and the conversion date for the number of shares vested. SSARs under the 2005 LTIP are granted with an exercise price equal to the quoted market value of the Company's common stock on the date of grant. In addition, SSARs generally vest 25 percent after two years from the date of grant and thereafter 25 percent each year for the next three years and have a six-year term. As of December 29, 2015, the total unrecognized compensation cost related to non-vested SSARs was $1.9 million, and is expected to be recognized over a weighted-average period of approximately 2.8 years. The Company uses historical data to estimate pre-vesting forfeiture rates. For fiscal 2015, fiscal 2014, and fiscal 2013, stock-based compensation expense related to SSARs was $0.5 million, $0.2 million, and $0.2 million, respectively, and was charged to general and administrative expenses in the Consolidated Statements of Income.

The following table summarizes the Company's SSAR activity under its stock-based compensation plan during fiscal 2015:

	Shares (in thousands)	Weighted Average Conversion Price (1)	Weighted Average Contractual Term Remaining (Years)	Aggregate Intrinsic Value (2) (in thousands)
Outstanding at December 30, 2014	29	$ 144.63	4.0	$ 885
Granted	33	174.25		
Converted	(4)	89.71		
Cancelled	(1)	152.14		
Outstanding at December 29, 2015	57	$ 165.54	4.5	$ 1,814
Convertible at December 29, 2015	7	$ 141.04	2.7	$ 399

(1) Conversion price is defined as the price from which SSARs are measured and is equal to the market value on the date of issuance.

(2) Intrinsic value for activities other than conversions is defined as the difference between the grant price and the market value on the last day of fiscal 2015 of $197.08 for those SSARs where the market value is greater than the conversion price. For conversions, intrinsic value is defined as the difference between the grant price and the market value on the date of conversion.

All SSARs outstanding at December 29, 2015 have a conversion price ranging from $99.30 to $202.52 and are expected to be recognized over a weighted-average period of approximately 4.5 years.

The fair value for both stock options and SSARs (collectively "option awards") is estimated on the grant date using the Black-Scholes option pricing model. The assumptions used to calculate the fair value of option awards are evaluated and revised, as necessary, to reflect market conditions and historical experience.

The weighted-average fair value of option awards granted and assumptions used for the Black-Scholes option pricing model were as follows for the periods indicated:

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Fair value per option awards	$ 47.56	$ 46.01	$ 55.63
Assumptions:			
Expected term (years)	5	5	5
Expected volatility	27.6%	28.8%	36.5%
Risk-free interest rate	1.6%	1.6%	1.3%
Dividend yield	0.0%	0.0%	0.0%

- *Expected term* — The expected term of the option awards represents the period of time between the grant date of the option awards and the date the option awards are either exercised or canceled, including an estimate for those option awards still outstanding, and is derived from historical terms and other factors.
- *Expected volatility* — The expected volatility is based on an average of the historical volatility of the Company's stock price, for a period approximating the expected term, and the implied volatility of externally traded options of the Company's stock that were entered into during the period.
- *Risk-free interest rate* — The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and with a maturity that approximates the option awards expected term.
- *Dividend yield* — The dividend yield is based on the Company's anticipated dividend payout over the expected term of the option awards.

The amounts presented for the weighted-average fair value of option awards granted are before the estimated effect of forfeitures, which reduce the amount of stock-based compensation expense recorded in the Consolidated Statements of Income.

1992 Equity Incentive Plan

The Company adopted the 1992 Plan in May 1992. A total of 8,600,000 shares of Class A common stock were authorized for issuance under the 1992 Plan as awards, which could have been in the form of stock options (both qualified and non-qualified), stock appreciation rights, performance shares, restricted stock, or stock units, to employees and consultants. As a result of stockholder approval of the 2006 Plan, effective as of May 25, 2006, the Company will grant no further stock options, restricted stock, or other awards under the 1992 Plan.

2001 Employee, Director, and Consultant Stock Option Plan

The Company adopted the 2001 Plan in June 2001. A total of 3,000,000 shares of Class A common stock were authorized for issuance under the 2001 Plan as awards, which could have been in the form of stock options to employees, directors, and consultants. As a result of stockholder approval of the 2006 Plan, effective as of May 25, 2006, the Company will grant no further stock options under the 2001 Plan.

1992 Employee Stock Purchase Plan

In May 1992, the Company adopted the 1992 Employee Stock Purchase Plan (the "ESPP"). The ESPP was subsequently amended in years prior to fiscal 2014 to increase the number of shares of the Company's Class A common stock authorized for issuance to

950,000. The ESPP gives eligible employees the option to purchase Class A common stock (total purchases in a year may not exceed 10 percent of an employee's current year compensation) at 85 percent of the fair market value of the Class A common stock at the end of each calendar quarter. There were approximately 24,000, 23,000, and 20,000 shares purchased with a weighted-average fair value of purchase rights of $26.21, $24.71, and $25.01 during fiscal 2015, fiscal 2014, and fiscal 2013, respectively. For fiscal 2015, fiscal 2014, and fiscal 2013, the Company recognized expense of approximately $0.6 million, $0.6 million, and $0.5 million in each of the respective years related to stock purchase plan discounts. Effective June 5, 2014, the Plan was amended to further increase the number of the Company's Class A common stock shares authorized for issuance to 1,050,000. Cumulatively, there were approximately 925,000 shares issued under this plan as of December 29, 2015, 901,000 shares issued under this plan as of December 30, 2014, and 878,000 shares issued under this plan as of December 31, 2013.

18. Defined Contribution Benefit Plan

The Panera Bread Company 401(k) Savings Plan (the "Plan") was formed under Section 401(k) of the Internal Revenue Code ("the Code"). The Plan covers substantially all employees who meet certain service requirements. Participating employees may elect to defer a percentage of his or her salary on a pre-tax basis, subject to the limitations imposed by the Plan and the Code. The Plan provides for a matching contribution by the Company equal to 50 percent of the first three percent of the participant's eligible pay. All employee contributions vest immediately. Company matching contributions vest beginning in the second year of employment at 25 percent per year, and are fully vested after five years. The Company contributed $2.3 million, $2.2 million, and $2.0 million to the Plan in fiscal 2015, fiscal 2014, and fiscal 2013, respectively.

19. Business Segment Information

The Company operates three business segments. The Company Bakery-Cafe Operations segment is comprised of the operating activities of the bakery-cafes owned directly and indirectly by the Company. The Company-owned bakery-cafes conduct business under the Panera Bread®, Saint Louis Bread Co.® or Paradise Bakery & Café® names. These bakery-cafes offer some or all of the following: fresh baked goods, made-to-order sandwiches on freshly baked breads, soups, salads, pasta dishes, custom roasted coffees, and other complementary products through on-premise sales, as well as catering.

The Franchise Operations segment is comprised of the operating activities of the franchise business unit, which licenses qualified operators to conduct business under the Panera Bread or Paradise Bakery & Café names and also monitors the operations of these bakery-cafes. Under the terms of most of the agreements, the licensed operators pay royalties and fees to the Company in return for the use of the Panera Bread or Paradise Bakery & Café names.

The Fresh Dough and Other Product Operations segment supplies fresh dough, produce, tuna, cream cheese, and indirectly supplies proprietary sweet goods items through a contract manufacturing arrangement, to Company-owned and franchise-operated bakery-cafes. The fresh dough is sold to a number of both Company-owned and franchise-operated bakery-cafes at a delivered cost generally not to exceed 27 percent of the retail value of the end product. The sales and related costs to the franchise-operated bakery-cafes are separately stated line items in the Consolidated Statements of Income. The sales, costs, and operating profit related to the sales to Company-owned bakery-cafes are eliminated in consolidation in the Consolidated Statements of Income.

The accounting policies applicable to each segment are consistent with those described in Note 2, "Summary of Significant Accounting Policies." Segment information related to the Company's three business segments is as follows (in thousands):

	For the fiscal year ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Revenues:			
Company bakery-cafe operations	$ 2,358,794	$ 2,230,370	$ 2,108,908
Franchise operations	138,563	123,686	112,641
Fresh dough and other product operations	382,110	370,004	347,922
Intercompany sales eliminations	(197,887)	(194,865)	(184,469)
Total revenues	$ 2,681,580	$ 2,529,195	$ 2,385,002
Segment profit:			
Company bakery-cafe operations (1)	$ 366,905	$ 400,261	$ 413,474
Franchise operations	133,449	117,770	106,395
Fresh dough and other product operations	23,517	22,872	21,293
Total segment profit	$ 523,871	$ 540,903	$ 541,162
Depreciation and amortization	$ 135,398	$ 124,109	$ 106,523
Unallocated general and administrative expenses	137,790	132,144	117,089
Pre-opening expenses	9,089	8,707	7,794
Interest expense	3,830	1,824	1,053
Other (income) expense, net	1,192	(3,175)	(4,017)
Income before income taxes	$ 236,572	$ 277,294	$ 312,720
Depreciation and amortization:			
Company bakery-cafe operations	$ 105,535	$ 103,239	$ 90,872
Fresh dough and other product operations	9,367	8,613	8,239
Corporate administration	20,496	12,257	7,412
Total depreciation and amortization	$ 135,398	$ 124,109	$ 106,523
Capital expenditures:			
Company bakery-cafe operations	$ 174,633	$ 167,856	$ 153,584
Fresh dough and other product operations	12,175	12,178	11,461
Corporate administration	37,124	44,183	26,965
Total capital expenditures	$ 223,932	$ 224,217	$ 192,010

(1) Includes refranchising losses of $17.1 million for the fiscal year ended December 29, 2015.

	December 29, 2015	December 30, 2014
Segment assets:		
Company bakery-cafe operations	$ 953,717	$ 953,896
Franchise operations	13,049	13,145
Fresh dough and other product operations	75,634	65,219
Total segment assets	$ 1,042,400	$ 1,032,260
Unallocated cash and cash equivalents	$ 241,886	$ 196,493
Unallocated trade and other accounts receivable	2,968	3,104
Unallocated property and equipment	107,333	84,224
Unallocated deposits and other	6,660	3,575
Other unallocated assets	74,071	71,030
Total assets	$ 1,475,318	$ 1,390,686

"Unallocated cash and cash equivalents" relates primarily to corporate cash and cash equivalents, "unallocated trade and other accounts receivable" relates primarily to rebates and interest receivable, "unallocated property and equipment" relates primarily to corporate fixed assets, "unallocated deposits and other" relates primarily to insurance deposits, and "other unallocated assets" relates primarily to current and deferred income taxes.

20. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except for per share data):

	For the fiscal year ended		
	December 29, 2015	**December 30, 2014**	**December 31, 2013**
Amounts used for basic and diluted per share calculations:			
Net income attributable to Panera Bread Company	$ 149,342	$ 179,293	$ 196,169
Weighted average number of shares outstanding — basic	25,685	26,881	28,629
Effect of dilutive stock-based employee compensation awards	103	118	165
Weighted average number of shares outstanding — diluted	25,788	26,999	28,794
Earnings per common share:			
Basic	$ 5.81	$ 6.67	$ 6.85
Diluted	$ 5.79	$ 6.64	$ 6.81

For each of fiscal 2015, fiscal 2014, and fiscal 2013, weighted-average outstanding stock options, restricted stock, and stock-settled appreciation rights of less than 0.1 million shares were excluded in calculating diluted earnings per share as the exercise price exceeded fair market value and the inclusion of such shares would have been antidilutive.

21. Supplemental Cash Flow Information

The following table sets forth supplemental cash flow information for the periods indicated (in thousands):

	For the fiscal year ended		
	December 29, 2015	**December 30, 2014**	**December 31, 2013**
Cash paid during the year for:			
Interest	$ 3,073	$ 773	$ 253
Income taxes	92,964	91,187	104,072
Non-cash investing and financing activities:			
Change in accrued property and equipment purchases	$ (2,894)	$ 15,479	$ 16,194
Financed property and equipment purchases	12,680	—	—
Accrued purchase price of Florida acquisition	—	—	270
Investment in municipal industrial revenue bonds	(186)	(186)	(186)
Asset retirement obligations	635	9,341	664

22. Selected Quarterly Financial Data (unaudited)

The following table presents selected unaudited quarterly financial data for the periods indicated (in thousands, except per share data):

	Fiscal 2015 - quarters ended (1)			
	March 31	June 30	September 29	December 29
Revenues	$ 648,504	$ 676,657	$ 664,654	$ 691,765
Operating profit	51,197	68,412	52,102	69,883
Net income attributable to Panera Bread Company	31,860	41,929	32,393	43,160
Earnings per common share:				
Basic	$ 1.20	$ 1.60	$ 1.28	$ 1.75
Diluted	$ 1.20	$ 1.60	$ 1.27	$ 1.74

	Fiscal 2014 - quarters ended (1)			
	April 1	July 1	September 30	December 30
Revenues	$ 605,753	$ 631,055	$ 619,890	$ 672,497
Operating profit	67,005	73,942	57,959	77,037
Net income attributable to Panera Bread Company	42,395	49,192	39,214	48,492
Earnings per common share:				
Basic	$ 1.55	$ 1.83	$ 1.47	$ 1.82
Diluted	$ 1.55	$ 1.82	$ 1.46	$ 1.82

(1) Fiscal quarters may not sum to the fiscal year reported amounts due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Changes in Internal Control Over Financial Reporting

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of December 29, 2015. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures as of December 29, 2015, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of such date, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

No change in the Company's internal control over financial reporting occurred during the fiscal quarter ended December 29, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other associates, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 29, 2015. In making this assessment, the Company's management used the criteria established in *Internal Control - Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management has concluded that, as of December 29, 2015, the Company's internal control over financial reporting was effective to provide reasonable assurance based on those criteria. The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of the Company's consolidated operations.

The Company's independent registered public accounting firm audited the financial statements included in this Annual Report on Form 10-K and has audited the effectiveness of the Company's internal control over financial reporting. Their report is included in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from the information in the Company's proxy statement for the 2016 Annual Meeting of Stockholders, which the Company intends to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

The Company has adopted a code of ethics, called the Standards of Business Conduct that applies to its officers, including its principal executive, financial and accounting officers, and its directors and employees. The Company has posted the Standards of Business Conduct on its website at *www.panerabread.com* under the "Corporate Governance" section of the "Our Company - Investor Relations" webpage. The Company intends to make all required disclosures concerning any amendments to, or waivers from, the Standards of Business Conduct on its website.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the information in the Company's proxy statement for the 2016 Annual Meeting of Stockholders, which the Company intends to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from the information in the Company's proxy statement for the 2016 Annual Meeting of Stockholders, which the Company intends to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from the information in the Company's proxy statement for the 2016 Annual Meeting of Stockholders, which the Company intends to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from the information in the Company's proxy statement for the 2016 Annual Meeting of Stockholders, which the Company intends to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) *All Financial Statements:*

Consolidated financial statements filed as part of this report are listed under Item 8: "Financial Statements and Supplementary Data".

(a)(2) *Financial Statement Schedule:*

The following financial statement schedule for the Company is filed herewith:

Schedule II — Valuation and Qualifying Accounts

PANERA BREAD COMPANY
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description	Balance - Beginning of Period	Additions Charged to Expense	Deductions/ Other Additions	Balance - End of Period
Self-insurance reserves:				
Fiscal year ended December 31, 2013	$ 28,903	$ 46,930	$ (44,288)	$ 31,545
Fiscal year ended December 30, 2014	$ 31,545	$ 50,729	$ (49,715)	$ 32,559
Fiscal year ended December 29, 2015	$ 32,559	$ 54,341	$ (49,692)	$ 37,208
Deferred tax assets, valuation allowance:				
Fiscal year ended December 31, 2013	$ 1,761	$ 1,412	$ —	$ 3,173
Fiscal year ended December 30, 2014	$ 3,173	$ 1,452	$ —	$ 4,625
Fiscal year ended December 29, 2015	$ 4,625	$ 674	$ —	$ 5,299

(a)(3) *Exhibits*:

See Exhibit Index incorporated into this item by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PANERA BREAD COMPANY

By: /s/ RONALD M. SHAICH

Ronald M. Shaich
Chairman and Chief Executive Officer

Date: February 18, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RONALD M. SHAICH Ronald M. Shaich	Chairman and Chief Executive Officer (Principal Executive Officer)	February 18, 2016
/s/ MICHAEL J. BUFANO Michael J. Bufano	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	February 18, 2016
/s/ MARK D. WOOLDRIDGE Mark D. Wooldridge	VP, Controller, Chief Accounting Officer (Principal Accounting Officer)	February 18, 2016
/s/ DOMENIC COLASACCO Domenic Colasacco	Director	February 18, 2016
/s/ FRED K. FOULKES Fred K. Foulkes	Director	February 18, 2016
/s/ LARRY J. FRANKLIN Larry J. Franklin	Director	February 18, 2016
/s/ DIANE HESSAN Diane Hessan	Director	February 18, 2016
/s/ THOMAS E. LYNCH Thomas E. Lynch	Director	February 18, 2016
/s/ WILLIAM W. MORETON William W. Moreton	Executive Vice Chairman	February 18, 2016
Mark C. Stoever	Director	February 18, 2016
James D. White	Director	February 18, 2016

EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of Incorporation of the Registrant, as amended and restated through June 7, 2002 (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended July 13, 2002 (File No. 0-19253), as filed with the Commission on August 26, 2002 and incorporated herein by reference).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on May 25, 2011 and incorporated herein by reference).
3.3	Third Amended and Restated By-laws of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on November 10, 2015 and incorporated herein by reference).
10.1	Employee Stock Purchase Plan, as amended (filed as Appendix A to the Registrant's Proxy Statement on Schedule 14A dated April 22, 2014 (File No. 0-19253), as filed with the Commission on April 22, 2014 and incorporated herein by reference.†
10.2	Formula Stock Option Plan for Independent Directors, as amended (filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2001 (File No. 0-19253), as filed with the Commission on March 22, 2002 and incorporated herein by reference).†
10.3	1992 Equity Incentive Plan, as amended (filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-8 (File No. 333-128049), as filed with the Commission on September 1, 2005 and incorporated herein by reference).†
10.4	2001 Employee, Director and Consultant Stock Option Plan (filed as Appendix A to the Registrant's Proxy Statement on Schedule 14A dated April 21, 2005 (File No. 0-19253), as filed with the Commission on April 21, 2005 and incorporated herein by reference).†
10.5	2005 Long-Term Incentive Program, as amended (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on August 10, 2015 and incorporated herein by reference).†
10.6	2006 Stock Incentive Plan, as amended (filed as Exhibit A to the Registrant's Proxy Statement on Schedule 14A dated April 12, 2010 (File No. 0-19253), as filed with the Commission on April 12, 2010 and incorporated herein by reference).†
10.7	Form of Non-qualified Stock Option Agreement under the 2006 Stock Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on May 25, 2006 and incorporated herein by reference).†
10.8	Form of Non-qualified Stock Option Agreement under the 2005 Long Term Incentive Program, as amended (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on May 25, 2006 and incorporated herein by reference).†
10.9	Form of Restricted Stock Agreement under the 2005 Long-Term Incentive Program, as amended (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on May 25, 2006 and incorporated herein by reference).†
10.10	Form of amended Restricted Stock Agreement under the 2005 Long-Term Incentive Program, as amended, adopted May 21, 2009 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on May 28, 2009 and incorporated herein by reference).†
10.11	Form of amended Restricted Stock Agreement under the 2005 Long-Term Incentive Program, as amended, adopted August 5, 2015 (filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on August 10, 2015 and incorporated herein by reference).†
10.12	Form of Stock Settled Appreciation Right Agreement under the 2005 Long-Term Incentive Program, as amended (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on July 29, 2009 and incorporated herein by reference).†
10.13	Form of amended Stock Settled Appreciation Right Agreement under the 2005 Long-Term Incentive Program, as amended, adopted August 5, 2015 (filed as Exhibit 10.6 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on August 10, 2015 and incorporated herein by reference).†

Exhibit Number	Description
10.14	2015 Stock Incentive Plan (filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on May 27, 2015 and incorporated herein by reference).†
10.15	Form of Non-Qualified Stock Option Agreement for directors under the 2015 Stock Incentive Plan (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on August 10, 2015 and incorporated herein by reference).†
10.16	Form of Restricted Stock Agreement under the 2015 Stock Incentive Plan (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on August 10, 2015 and incorporated herein by reference).†
10.17	Form of Stock Settled Appreciation Right Agreement under the 2015 Stock Incentive Plan (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on August 10, 2015 and incorporated herein by reference).†
10.18	Employment Letter between the Registrant and Mark Borland (filed as Exhibit 10.6.17 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended October 5, 2002 (File No. 0-19253), as filed with the Commission on November 18, 2002 and incorporated herein by reference).†
10.19	Form of Panera, LLC Confidential and Proprietary Information and Non-Competition Agreement executed by Senior Vice Presidents (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended October 4, 2003 (File No. 0-19253), as filed with the Commission on November 18, 2003 and incorporated herein by reference).†
10.20	Description of Compensation Arrangements with Non-Employee Directors (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2006 (File No. 0-19253), as filed with the Commission on May 4, 2006 and incorporated herein by reference).†
10.21	Form of Panera, LLC Confidential and Proprietary Information and Non-Competition Agreement executed by Executive and Senior Vice Presidents (filed as Exhibit 10.19 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 0-19253), as filed with the Commission on February 20, 2014 and incorporated herein by reference).†
10.22	Employment Letter between the Registrant and Andrew Madsen, dated as of May 7, 2015 (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 (File No. 0-19253), as filed with the Commission on July 29, 2015 and incorporated herein by reference).†
10.23	General Release, dated as of October 9, 2015, by and between the Registrant and Mark Wesley (filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 29, 2015 (File No. 0-19253), as filed with the Commission on October 28, 2015 and incorporated herein by reference).†
10.24	Credit Agreement dated as of November 30, 2012 by and among Panera Bread Company, as borrower, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and each lender party thereto (filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on December 4, 2012 and incorporated herein by reference).
10.25	Term Loan Agreement, dated as of June 11, 2014 by and among Panera Bread Company, as borrower, Bank of America, N.A., as administrative agent and each lender party thereto (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on June 12, 2014 and incorporated herein by reference).
10.26	Confirmation of Prior Consent Under Credit Agreement, dated as of June 24, 2015, by and among the Registrant, Bank of America, N.A., as administrative agent, and each lender signatory thereto (filed as Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 (File No. 0-19253), as filed with the Commission on July 29, 2015 and incorporated herein by reference).
10.27	Amendment No. 1, dated as of July 16, 2015, to the Term Loan Agreement, dated as of June 11, 2014, by and among the Registrant, as borrower, Bank of America, as administrative agent, and each lender from time to time party thereto (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on July 21, 2015 and incorporated herein by reference)
10.28	Credit Agreement, dated as of July 16, 2015, by and among the Registrant, as borrower, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and each lender party thereto (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on July 21, 2015 and incorporated herein by reference)

Exhibit Number	Description
10.29	Term Loan Agreement, dated as of July 16, 2015 by and among the Registrant, as borrower, Bank of America, N.A., as administrative agent and each lender party thereto (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 0-19253), as filed with the Commission on July 21, 2015 and incorporated herein by reference)
10.30	Office lease, dated September 20, 2010, by and between TREF I Laumeier I LLC, as successor in interest to Duke Reality Limited Partnership, and Panera, LLC (filed as Exhibit 10.19 to the Registrant’s Annual Report on Form 10-K for the year ended December 25, 2012 (File No. 0-19253), as filed with the Commission on February 15, 2013 and incorporated herein by reference).
10.31	Amendment No. 1, dated December 27, 2012, to Office lease, dated September 20, 2010, by and between TREF I Laumeier I LLC, as successor in interest to Duke Realty Limited Partnership, and Panera, LLC (filed as Exhibit 10.20 to the Registrant’s Annual Report on Form 10-K for the year ended December 25, 2012 (File No. 0-19253), as filed with the Commission on February 15, 2013 and incorporated herein by reference).
21*	Registrant’s Subsidiaries.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification by Chief Executive Officer.
31.2*	Certification by Chief Financial Officer.
32*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

† Management contract or compensatory plan required to be filed as an exhibit hereto pursuant to Item 15(a) of Form 10-K.

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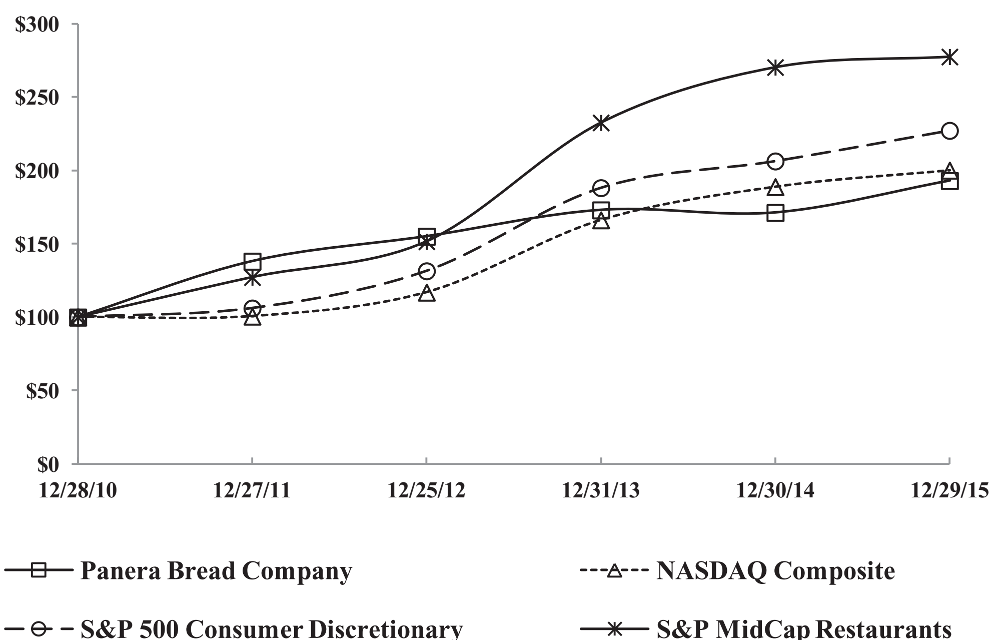
COMPARISON OF CUMULATIVE TOTAL RETURN
(Assumes $100 Investment on December 28, 2010)

The following graph and chart compares the cumulative annual stockholder return on our Class A common stock over the period commencing December 28, 2010 and ending on December 29, 2015, to that of the total return for The NASDAQ Composite Index, the Standard & Poor's (S&P) 500 Consumer Discretionary Sector, and the S&P MidCap Restaurants Index, assuming an investment of $100 on December 28, 2010. In 2015, we conducted a review of the comparison indices to determine if the indices were reflective of those companies we believe we compete for investment capital. After completing the review, the determination was made to include the S&P 500 Consumer Discretionary Sector and to drop the S&P MidCap Restaurants Index due to the small number of public restaurant companies comprising that index. In calculating cumulative total annual stockholder return, reinvestment of dividends, if any, is assumed. The indices are included for comparative purposes only. They do not necessarily reflect management's opinion that such indices are an appropriate measure of the relative performance of our Class A common stock and are not intended to forecast or be indicative of future performance of our Class A common stock. The following graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. We obtained information used on the graph from Research Data Group, Inc., a source we believe to be reliable.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Panera Bread Company, the NASDAQ Composite Index, the S&P 500 Consumer Discretionary Sector, and S&P MidCap Restaurants Index



*$100 invested on 12/28/2010 in stock or 12/31/2010 in index, including reinvestment of dividends. Indexes calculated on month-end basis.

	December 28, 2010	December 27, 2011	December 25, 2012	December 31, 2013	December 30, 2014	December 29, 2015
Panera Bread Company	$100.00	138.10	155.07	173.04	171.28	193.01
NASDAQ Composite Index	$100.00	100.62	116.97	166.27	188.90	200.15
S&P 500 Consumer Discretionary Sector	$100.00	106.13	131.51	188.17	206.39	227.25
S&P MidCap Restaurants Index	$100.00	127.19	151.62	232.62	270.39	277.56

For the S&P 500 Consumer Discretionary Sector, S&P MidCap Restaurants Index, and the NASDAQ Composite Index, the total return to stockholders is based on the values of such indices as of the last trading day of the applicable calendar year, which may be different from the end of our fiscal year.

Panera Bread Company

Corporate and Stockholder Information

Management

Ronald M. Shaich*
Chairman and Chief Executive Officer

William W. Moreton*
Executive Vice Chairman

Andrew H. Madsen*
President

Charles J. Chapman III*
Executive Vice President, Chief Operating Officer

Blaine E. Hurst*
Executive Vice President, Chief Transformation and Growth Officer

Kenneth Koziol*
Executive Vice President, Sourcing, Distribution and Manufacturing

Scott G. Blair*
Senior Vice President, Chief Legal and Franchise Officer

Michael J. Bufano*
Senior Vice President, Chief Financial Officer

Elizabeth A. Dunlap*
Senior Vice President, Chief People Officer

John M. Meister*
Senior Vice President, Chief Information Officer

William H. Simpson, Jr.*
Senior Vice President, Chief Development Officer

Richard Crannick
Senior Vice President, Ops Tools and Services

Stephanie Crimmins
Senior Vice President, Panera at Home

Louis DiPietro
Senior Vice President, General Counsel and Secretary

Christopher C. Hollander
Senior Vice President, Marketing

Daniel Kish
Senior Vice President, Food

Patrick Mellor
Senior Vice President, Company Operations

Robert Passanisi
Senior Vice President, Cafe Strategy, Insights and Analytics

Bryan C. Timko
Senior Vice President, Menu Innovation Projects

Daniel A. Wegiel
Senior Vice President, Panera to You

Mark D. Wooldridge
Vice President, Controller and Chief Accounting Officer

* Designated as executive officer for SEC purposes

Board of Directors

Ronald M. Shaich
Chairman of the Board and Chief Executive Officer of Panera Bread Company

William W. Moreton
Executive Vice Chairman of Panera Bread Company

Domenic Colasacco
Lead Independent Director of Panera Bread Company
President, Chief Executive Officer, Boston Trust & Investment Management

Fred K. Foulkes, D.B.A.
Professor, Boston University School of Business

Larry J. Franklin
President, Chief Executive Officer, Franklin Sports, Inc.

Diane Hessan
Chief Executive Officer, Startup Institute

Thomas E. Lynch
Senior Managing Director, Mill Road Capital

Mark Stoever
President of Monster Worldwide, Inc.

James D. White
Former Chief Executive Officer and President of Jamba, Inc.

Corporate Information

Transfer Agent and Registrar
Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078
www.computershare.com/investor

2016 Annual Meeting of Stockholders
Thursday, May 19, 2016, 10:30 a.m., Central Time
Panera Bread Company Headquarters
3630 South Geyer Road
St. Louis, Missouri 63127

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP

Stock Trading Information
The Nasdaq Global Select Market
Symbol: PNRA

Form 10-K and Other Reports and Information
Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Proxy Statement and other reports that we file with the SEC are available on our website, at panerabread.com. In addition, copies of these reports (without exhibits) may be obtained without charge by contacting:

Investor Relations Coordinator
Panera Bread Company
3630 South Geyer Road
St. Louis, Missouri 63127
314-984-1000
www.panerabread.com